

Bega Valley Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019



Bega Valley Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

Bega Valley Shire Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

Zingel Place,
BEGA NSW 2550

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.begavalley.nsw.gov.au.

General Purpose Financial Statements

for the year ended 30 June 2019

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

To the best of our knowledge and belief, these statements:

- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 30 October 2019.



Cr. Kristy McBain
Mayor
28 February 2020



Cr. Sharon Tapscott
Deputy Mayor
28 February 2020



Leanne Barnes OAM
General Manager
28 February 2020



Judith Jordan
Responsible Accounting Officer
28 February 2020

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ^{1, 2}
Income from continuing operations				
<u>Revenue:</u>				
50,179	Rates and annual charges	3a	50,496	48,831
19,635	User charges and fees	3b	18,636	18,762
1,441	Interest and investment revenue	3c	2,241	1,678
1,023	Other revenues	3d	1,134	1,574
12,149	Grants and contributions provided for operating purposes	3e,3f	19,091	21,867
19,428	Grants and contributions provided for capital purposes	3e,3f	16,910	7,841
<u>Other income:</u>				
—	Net gains from the disposal of assets	5	179	—
103,855	Total income from continuing operations		108,687	100,553
Expenses from continuing operations				
33,084	Employee benefits and on-costs	4a	33,612	32,166
1,937	Borrowing costs	4b	1,835	1,935
22,052	Materials and contracts	4c	35,359	27,781
20,490	Depreciation and amortisation	4d	22,850	23,019
8,574	Other expenses	4e	7,041	6,880
86,137	Total expenses from continuing operations		100,697	91,781
17,718	Operating result from continuing operations		7,990	8,772
17,718	Net operating result for the year		7,990	8,772
17,718	Net operating result attributable to council		7,990	8,772
(1,710)	Net operating result for the year before grants and contributions provided for capital purposes		(8,920)	931

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

(2) Reinstatement has occurred to reflect recategorisation of amounts

The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		7,990	8,772
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	29,782	6,261
Total items which will not be reclassified subsequently to the operating result		29,782	6,261
Total other comprehensive income for the year		29,782	6,261
Total comprehensive income for the year		37,772	15,033
 Total comprehensive income attributable to Council		 37,772	 15,033

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018 ¹	Restated 1 July 2017
ASSETS				
Current assets				
Cash and cash equivalent assets	6(a)	82,887	72,166	17,209
Investments	6(b)	—	—	44,900
Receivables	7	6,213	7,440	6,913
Inventories	8	462	407	697
Total current assets		89,562	80,013	69,719
Non-current assets				
Receivables	7	9	13	18
Infrastructure, property, plant and equipment	9(a)	987,476	961,709	952,820
Intangible assets		—	—	—
Total non-current assets		987,485	961,722	952,838
TOTAL ASSETS		1,077,047	1,041,735	1,022,557
LIABILITIES				
Current liabilities				
Payables	10	5,999	5,314	3,884
Income received in advance	10	842	756	722
Borrowings	10	3,496	3,819	3,466
Provisions	11	7,042	7,524	8,177
Total current liabilities		17,379	17,413	16,249
Non-current liabilities				
Payables	10	1	—	—
Borrowings	10	31,775	35,275	34,595
Provisions	11	5,942	4,870	2,568
Total non-current liabilities		37,718	40,145	37,163
TOTAL LIABILITIES		55,097	57,558	53,412
Net assets		1,021,950	984,177	969,145
EQUITY				
Accumulated surplus	12a	594,706	586,715	577,944
Revaluation reserves	12a	427,244	397,462	391,201
Council equity interest		1,021,950	984,177	969,145
Total equity		1,021,950	984,177	969,145

(¹) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		566,508	397,462	963,970	557,608	391,201	948,809
Correction of prior period errors	12b	20,208	–	20,208	20,336	–	20,336
Restated opening balance		586,716	397,462	984,178	577,944	391,201	969,145
Net operating result for the year		7,990	–	7,990	8,899	–	8,899
Correction of prior period errors	12b	–	–	–	(128)	–	(128)
Restated net operating result for the period		7,990	–	7,990	8,771	–	8,771
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	29,782	29,782	–	6,261	6,261
Other comprehensive income		–	29,782	29,782	–	6,261	6,261
Total comprehensive income		7,990	29,782	37,772	8,771	6,261	15,032
Equity – balance at end of the reporting period		594,706	427,244	1,021,950	586,715	397,462	984,177

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
	<u>Receipts</u>			
49,226	Rates and annual charges		50,087	47,844
18,824	User charges and fees		21,480	16,783
1,441	Investment and interest revenue received		2,214	1,872
31,340	Grants and contributions		36,023	32,303
–	Bonds, deposits and retention amounts received		15	473
986	Other		969	1,259
	<u>Payments</u>			
(32,803)	Employee benefits and on-costs		(32,953)	(32,100)
(22,051)	Materials and contracts		(35,049)	(26,525)
(1,934)	Borrowing costs		(1,915)	(1,950)
(8,241)	Other		(7,676)	(6,879)
36,788	Net cash provided (or used in) operating activities	13b	33,195	33,080
Cash flows from investing activities				
	<u>Receipts</u>			
–	Sale of investment securities		–	86,500
–	Sale of infrastructure, property, plant and equipment		2,524	–
	<u>Payments</u>			
–	Purchase of investment securities		–	(41,600)
(41,620)	Purchase of infrastructure, property, plant and equipment		(21,110)	(24,056)
–	Purchase of real estate assets		(69)	–
–	Deferred debtors and advances made		4	–
(41,620)	Net cash provided (or used in) investing activities		(18,651)	20,844
Cash flows from financing activities				
	<u>Payments</u>			
(3,748)	Repayment of borrowings and advances		(3,758)	1,092
–	Repayment of finance lease liabilities		(65)	(59)
(3,748)	Net cash flow provided (used in) financing activities		(3,823)	1,033
(8,580)	Net increase/(decrease) in cash and cash equivalents		10,721	54,957
72,166	Plus: cash and cash equivalents – beginning of year	13a	72,166	17,209
63,586	Cash and cash equivalents – end of the year	13a	82,887	72,166
Additional Information:				
63,586	Total cash, cash equivalents and investments		82,887	72,166

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 30 October 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 17 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 12.

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (ii) estimated tip remediation provisions – refer Note 11
- (iii) employee benefit provisions – refer Note 11.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Water service
- Sewerage service

Due to their immaterial value and nature, the following Committees have been excluded from consolidation:

Twyford Hall Committee

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these reports.

Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

A separate statement of monies held in the Trust Fund is available for inspection at the council office by any person free of charge

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$26K- refer Note 14.

These commitments relate to low value leases.

This lease types and amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The impact of AASB15 is expected to be immaterial.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

The specific impacts of AASB1058 for Council are expected to be \$10 million reduction in Capital Grants Revenue with an associated increase in Current Liabilities.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

The specific impacts of AASB2018-8 for Council are expected to be immaterial

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(a). Council functions/activities – financial information

Income, expenses and assets have been directly attributed to the following functions or activities.
Details of those functions or activities are provided in Note 2(b).

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Governance	–	29	591	894	(591)	(865)	–	18	–	–
Administration	4,993	3,538	9,138	12,643	(4,145)	(9,105)	596	2,464	30,416	74,927
Public Order and Safety	656	762	2,452	2,943	(1,796)	(2,181)	379	378	4,393	4,265
Health	319	70	227	154	92	(84)	–	–	4	–
Environment	11,763	2,859	16,156	9,205	(4,393)	(6,346)	317	352	–	–
Community Services and Education	7,240	6,858	7,408	8,159	(168)	(1,301)	6,525	5,259	4,716	5,612
Housing and Community Amenities	860	74	3,069	50	(2,209)	24	61	73	43,909	35,675
Water Supplies	12,879	13,269	8,045	11,939	4,834	1,330	–	1,456	191,076	184,118
Sewerage Supplies	18,427	19,407	12,786	14,334	5,641	5,073	–	1,692	183,672	176,923
Recreation and Culture	2,625	2,132	9,822	5,500	(7,197)	(3,368)	1,225	147	119,417	110,598
Mining, Manufacturing and Construction	1,213	4,113	1,016	13,745	197	(9,632)	54	2,552	435	392
Transport and Communication	14,697	4,980	29,887	11,409	(15,190)	(6,429)	18,838	4,690	419,266	442,080
Economic Affairs	423	132	100	806	323	(674)	95	120	7,828	7,145
General Purpose Income	32,592	30,289	–	–	32,592	30,289	5,161	7,003	71,915	–
Other	–	12,041	–	–	–	12,041	–	–	–	–
Total functions and activities	108,687	100,553	100,697	91,781	7,990	8,772	33,251	26,204	1,077,047	1,041,735

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(b). Council functions/activities - component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

Governance

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

Administration

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

Public Order and Safety

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

Health

Inspection, immunisations, food control, health centres, other, administration.

Environment

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

Community Services and Education

Administration, family day care, child care, youth services, other family and children, aged and disabled, Aboriginal services, other community services, education.

Housing and Community Amenities

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

Water Supply Service

Sewerage Services

Recreation and Culture

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

Mining Manufacturing and Construction

Building control, quarries and pits, other.

Transport and Communication

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

Economic Affairs

Camping areas, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, other business undertakings.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	19,553	18,973
Farmland	1,659	1,684
Business	2,396	2,202
Less: pensioner rebates (mandatory)	(371)	(372)
Less: pensioner rebates (Council policy)	(304)	(304)
Rates levied to ratepayers	22,933	22,183
Pensioner rate subsidies received	374	365
Total ordinary rates	23,307	22,548
Annual charges		
Domestic waste management services	7,414	7,212
Stormwater management services	293	291
Water supply services	3,549	3,423
Sewerage services	15,443	14,911
Waste management services (non-domestic)	827	799
Less: pensioner rebates (mandatory)	(420)	(423)
Less: pensioner rebates (Council policy)	(343)	(346)
Annual charges levied	26,763	25,867
Pensioner subsidies received:		
– Water	146	143
– Sewerage	126	123
– Domestic waste management	154	150
Total annual charges	27,189	26,283
TOTAL RATES AND ANNUAL CHARGES	50,496	48,831

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	7,806	7,793
Sewerage services	2,106	2,246
Total specific user charges	9,912	10,039

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	1,697	1,869
Private works – section 67	117	354
Regulatory fees	35	41
Section 603 certificates	82	106
Tapping fees	185	146
Total fees and charges – statutory/regulatory	2,116	2,516
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	668	655
Cemeteries	348	370
Child care	715	771
Community centres	218	185
Lease rentals	652	539
Leaseback fees – Council vehicles	322	339
Leisure centre	18	59
Library and art gallery	67	38
Quarry revenues	57	194
Recycling income (non-domestic)	242	–
Refuse and effluent disposal	50	36
Swimming centres	792	784
Waste disposal tipping fees	2,201	2,020
Committee funds	21	21
Food shop inspections	1	–
Planning and building – discretionary	222	166
Other	14	30
Total fees and charges – other	6,608	6,207
TOTAL USER CHARGES AND FEES	18,636	18,762

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

(c) Interest and investment revenue (including losses)

Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	215	298
– Cash and investments	1,957	1,310
– Other	65	66
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	4	4
TOTAL INTEREST AND INVESTMENT REVENUE	2,241	1,678

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	215	298
General Council cash and investments	509	330

Restricted investments/funds – external:

Development contributions		
– Section 7.11	53	32
Water fund operations	526	165

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Sewerage fund operations	938	609
Domestic waste management operations	–	244
Total interest and investment revenue	2,241	1,678

Accounting policy for interest and investment revenue

Interest income is recognised using the effective interest rate at the date that interest is earned.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(d) Other revenues

Fines	77	107
Legal fees recovery – rates and charges (extra charges)	271	229
Commissions and agency fees	–	4
Diesel rebate	131	125
Insurance claims recoveries	250	483
Sales – general	316	395
State waste rebate	4	–
Fundraising and donations	55	231
Other	30	–
TOTAL OTHER REVENUE	1,134	1,574

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Other revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

Rental income is accounted for on a straight-line basis over the lease term.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

Other income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,894	2,454	–	–
Financial assistance – local roads component	963	943	–	–
Payment in advance - future year allocation				
Financial assistance – general component	2,267	2,561	–	–
Financial assistance – local roads component	999	974	–	–
Total general purpose	7,123	6,932	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
Specific purpose				
Sewerage services	—	—	—	495
Bushfire and emergency services	300	378	79	30
Child care	1,812	1,622	127	54
Community care	4,578	4,218	—	—
Economic development	95	100	—	—
Employment and training programs	8	18	—	—
Environmental programs	108	201	—	—
Heritage and cultural	61	52	—	—
Library	171	132	—	44
LIRS subsidy	162	189	—	—
Noxious weeds	186	176	—	—
Public halls	—	—	209	141
Recreation and culture	2	25	781	935
Street lighting	54	53	—	—
Transport (roads to recovery)	—	—	—	1,933
Transport (other roads and bridges funding)	3,693	7,616	12,812	787
ESPL	—	2	—	—
Planning	7	17	—	—
Regulatory	54	54	—	—
Waste	445	—	—	—
Wharves and jetties	—	—	371	—
Other (enter details...)	13	—	—	—
Total specific purpose	11,749	14,853	14,379	4,419
Total grants	18,872	21,785	14,379	4,419
Grant revenue is attributable to:				
– Commonwealth funding	—	11,150	—	2,680
– State funding	—	10,604	—	1,739
– Other funding	18,872	31	14,379	—
	18,872	21,785	14,379	4,419

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
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(f) Contributions

Developer contributions:

(s7.4 & s7.11 - EP&A Act, s64 of the LGA):

Cash contributions

S 7.11 – contributions towards amenities/services	—	—	755	95
S 64 – water supply contributions	—	—	923	1,297
S 64 – sewerage service contributions	—	—	815	1,045
Total developer contributions – cash	—	—	2,493	2,437
Total developer contributions	21	—	2,493	2,437

Other contributions:

Cash contributions

Bushfire services	111	—	—	—
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
Community services		5	5	—	—
Recreation and culture		16	43	18	32
Sewerage (excl. section 64 contributions)		—	—	—	953
Water supplies (excl. section 64 contributions)		—	—	20	—
Other		3	10	—	—
Library		84	24	—	—
Total other contributions – cash		219	82	38	985
Total other contributions		219	82	38	985
Total contributions		219	82	2,531	3,422
TOTAL GRANTS AND CONTRIBUTIONS		19,091	21,867	16,910	7,841

Accounting policy for grants and contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

\$ '000	2019	2018
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Operating grants

Unexpended at the close of the previous reporting period	11,889	14,870
Add: operating grants recognised in the current period but not yet spent	12,977	8,237
Add: operating grants received for the provision of goods and services in a future period	10,000	—
Less: operating grants recognised in a previous reporting period now spent	(9,814)	(11,218)
Unexpended and held as restricted assets (operating grants)	25,052	11,889

Capital grants

Unexpended at the close of the previous reporting period	—	—
	—	—

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Add: capital grants recognised in the current period but not yet spent	—	—
Add: capital grants received for the provision of goods and services in a future period	—	—
Less: capital grants recognised in a previous reporting period now spent	—	—
Unexpended and held as restricted assets (capital grants)	<u>—</u>	<u>—</u>

Council has received these grants for Capital purposes and planning or works has commenced but work is not complete at 30 June 2019.

Included in this amount is \$10 Million dollars for Towamba Burragate Road, this project was funded in late June and is expected to be completed by the end of the 2020/21 Financial Year

Contributions

Unexpended at the close of the previous reporting period	—	—
Add: contributions recognised in the current period but not yet spent	11,817	—
Add: contributions received for the provision of goods and services in a future period	—	—
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	—	—
Less: contributions recognised in a previous reporting period now spent	—	—
Unexpended and held as restricted assets (contributions)	<u>11,817</u>	<u>—</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	26,004	25,661
Travel expenses	174	176
Employee leave entitlements (ELE)	4,727	4,284
Superannuation	3,014	2,921
Workers' compensation insurance	759	533
Fringe benefit tax (FBT)	6	10
Payroll tax	358	329
Training costs (other than salaries and wages)	291	381
Protective clothing	66	82
Other	22	53
Total employee costs	35,421	34,430
Less: capitalised costs	(1,809)	(2,264)
TOTAL EMPLOYEE COSTS EXPENSED	33,612	32,166
Number of 'full-time equivalent' employees (FTE) at year end	341	326

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 15 for more information.

(b) Borrowing costs**(i) Interest bearing liability costs**

Interest on overdraft	1	–
Interest on loans	1,831	1,926
Charges relating to finance leases	3	9
Total interest bearing liability costs expensed	1,835	1,935

(ii) Other borrowing costs

Fair value adjustments on recognition of advances and deferred debtors

Total other borrowing costs	–	–
TOTAL BORROWING COSTS EXPENSED	1,835	1,935

Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	6,626	6,173
Contractor and consultancy costs	27,732	20,922
Auditors remuneration ²	134	110
Legal expenses:		
– Legal expenses: planning and development	11	80
– Legal expenses: debt recovery	320	195
– Legal expenses: other	329	140
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	207	161
Total materials and contracts	35,359	27,781
TOTAL MATERIALS AND CONTRACTS	35,359	27,781

Accounting policy for operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Computers	207	161
	207	161

2. Auditor remuneration

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	93	–
Remuneration for audit and other assurance services	93	–
Total Auditor-General remuneration	93	–

Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

Other audit and assurance services	41	110
Remuneration for audit and other assurance services	41	110
Total remuneration of non NSW Auditor-General audit firms	41	110
Total Auditor remuneration	134	110

(d) Depreciation, amortisation and impairment of intangible assets and IPP&E**Depreciation and amortisation**

Plant and equipment	1,437	1,382
Office equipment	90	61
Infrastructure:		

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
– Buildings – specialised	1,547	387
– Roads	7,688	3,326
– Bridges	1,912	1,904
– Footpaths	195	195
– Stormwater drainage	374	375
– Water supply network	3,505	3,697
– Sewerage network	3,753	5,224
– Swimming pools	214	482
– Other open space/recreational assets	1,330	5,682
– Other infrastructure	752	238
Other assets:		
– Library books	53	66
Total gross depreciation and amortisation costs	22,850	23,019
Total depreciation and amortisation costs	22,850	23,019
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E	22,850	23,019

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 12 for intangible assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

\$ '000	2019	2018
(e) Other expenses		
Advertising	290	231
Bad and doubtful debts	–	9
Bank charges	184	182
Computer software charges	1,034	765
Contributions/levies to other levels of government		
– NSW rural fire service levy	929	644
– Other contributions/levies	19	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
Councillor expenses – mayoral fee	41	41
Councillor expenses – councillors' fees	187	188
Councillors' expenses (incl. mayor) – other (excluding fees above)	137	117
Donations, contributions and assistance to other organisations (Section 356)	223	402
Electricity and heating	1,396	1,455
Insurance	773	885
Postage	186	191
Printing and stationery	295	320
Street lighting	390	353
Subscriptions and publications	211	533
Telephone and communications	569	401
Valuation fees	125	163
Other	52	–
Total other expenses	7,041	6,880
TOTAL OTHER EXPENSES	7,041	6,880

Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		1,250	–
Less: carrying amount of property assets sold/written off		(1,250)	–
Net gain/(loss) on disposal		–	–
Plant and equipment	9(a)		
Proceeds from disposal – plant and equipment		1,243	–
Less: carrying amount of plant and equipment assets sold/written off		(1,064)	–
Net gain/(loss) on disposal		179	–
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		–	86,500
Less: carrying amount of investments sold/redeemed/matured		–	(86,500)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		179	–

Accounting policy for disposal of assets

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	2,427	3,164
Cash-equivalent assets		
– Short-term deposits	80,460	69,002
Total cash and cash equivalents	82,887	72,166

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
<u>Total Investments</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>82,887</u>	<u>–</u>	<u>72,166</u>	<u>–</u>

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Accounting policy under AASB 139 – applicable for 2018 comparatives only**Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

(b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Note 6(c). Restricted cash, cash equivalents and investments – details

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	82,887	–	72,166	–
attributable to:				
External restrictions	79,644	–	54,966	–
Internal restrictions	3,243	–	11,609	–
Unrestricted	–	–	5,591	–

continued on next page ...

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(c). Restricted cash, cash equivalents and investments – details (continued)

	82,887	–	72,166	–
\$ '000		2019		2018
Details of restrictions				
External restrictions – included in liabilities				
Specific purpose unexpended loans – general		–		704
External restrictions – included in liabilities		–		704
External restrictions – other				
Developer contributions – general		3,136		1,419
Developer contributions – water fund		2,166		5,173
Developer contributions – sewer fund		6,514		5,481
Specific purpose unexpended grants		25,052		1,235
Water supplies		16,165		11,710
Sewerage services		26,611		23,829
Domestic waste management		–		5,374
Tathra beach estate		–		41
External restrictions – other		79,644		54,262
Total external restrictions		79,644		54,966
Internal restrictions				
Infrastructure replacement		380		780
Employees leave entitlement		1,582		1,652
Carry over works		–		2,915
Brighter futures vehicle reserve		30		30
Childcare services (excl. ELE shown above)		527		590
Computer reserve		–		327
Environmental management		–		100
Former Sec 355 committees		–		474
Gravel pit operations		724		704
Operational examination contingency		–		27
Other waste management		–		487
Other airport		–		733
Park improvements		–		223
Property development		–		323
Saleyards		–		70
Sporting facilities		–		887
SV – Sportsground reserve		–		105
SV – Armco culvert restoration		–		291
SV – public domain and buildings		–		701
Other		–		190
Total internal restrictions		3,243		11,609
TOTAL RESTRICTIONS		82,887		66,575

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	2,239	–	1,830	–
Interest and extra charges	202	–	179	–
User charges and fees	1,577	–	3,672	–
Private works	763	–	741	–
Contributions to works	15	–	17	–
Children services	278	–	148	–
Deferred debtors	8	–	9	(1)
Government grants and subsidies	688	–	443	–
Loans to sporting clubs	–	9	–	14
Net GST receivable	687	–	645	–
Total	6,457	9	7,684	13
Less: provision of impairment				
User charges and fees	(244)	–	(244)	–
Total provision for impairment – receivables	(244)	–	(244)	–
<u>TOTAL NET RECEIVABLES</u>	<u>6,213</u>	<u>9</u>	<u>7,440</u>	<u>13</u>
Externally restricted receivables				
Water supply				
– Rates and availability charges	138	–	78	–
– Other	602	–	610	–
Sewerage services				
– Rates and availability charges	483	–	299	–
– Other	50	–	156	–
Total external restrictions	1,273	–	1,143	–
Unrestricted receivables	4,940	9	6,297	13
TOTAL NET RECEIVABLES	6,213	9	7,440	13

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	244	244
Balance at the end of the period	244	244

Accounting policy for receivables

Recognition and measurement

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Inventories				
(i) Inventories at cost				
Stores and materials	462	–	407	–
Total inventories at cost	462	–	407	–
<u>TOTAL INVENTORIES</u>	<u>462</u>	<u>–</u>	<u>407</u>	<u>–</u>

Externally restricted assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Water				
Prepayments	–	–	–	2,697
Total water	–	–	–	2,697
Sewerage				
Prepayments	–	–	–	(1)
Total sewerage	–	–	–	(1)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	–	–	–	2,696
Total internally restricted assets	–	–	–	–
Total unrestricted assets	462	–	407	(2,696)
TOTAL INVENTORIES AND OTHER ASSETS	462	–	407	–

(i) Other disclosures

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(Valued at the lower of cost and net realisable value)				
Movements:				
Real estate assets at beginning of the year	69	–	69	–
– Purchases and other costs	(69)	–	–	–
Total real estate for resale	–	–	69	–

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

\$ '000	2019	2018
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

\$ '000	2019	2018
Real estate for resale	—	69
	—	69

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018			Asset movements during the reporting period							as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	24,070	–	24,070	6,770	–	–	–	(20,641)	–	–	10,199	–	10,199
Plant and equipment	21,192	(11,014)	10,178	2,502	354	(1,066)	(1,437)	1,125	79	–	22,070	(10,335)	11,735
Office equipment	3,773	(3,464)	309	–	–	–	(90)	–	149	–	3,957	(3,589)	368
Land:													
– Operational land	43,341	–	43,341	–	–	(1,250)	–	–	(39)	3,388	45,440	–	45,440
– Community land	49,337	–	49,337	–	–	–	–	–	40	–	49,377	–	49,377
– Land under roads (post 30/6/08)	540	–	540	–	–	–	–	–	–	–	540	–	540
Infrastructure:													
– Buildings – specialised	64,864	(13,757)	51,107	–	–	–	(1,547)	–	–	21,291	83,463	(12,612)	70,851
– Roads	378,476	(203,865)	174,611	3,810	314	–	(7,688)	8,640	(7,722)	–	390,498	(218,533)	171,965
– Bridges	167,971	(84,798)	83,173	460	–	–	(1,912)	1,578	(73)	–	169,935	(86,709)	83,226
– Footpaths	8,592	(4,593)	3,999	–	–	–	(195)	–	(1)	–	8,592	(4,789)	3,803
– Bulk earthworks (non-depreciable)	136,984	–	136,984	–	–	–	–	197	831	–	138,012	–	138,012
– Stormwater drainage	37,230	(11,624)	25,606	–	–	–	(374)	–	18	–	37,247	(11,997)	25,250
– Water supply network	278,777	(115,033)	163,744	1,613	–	–	(3,505)	3,349	80	2,816	290,649	(122,552)	168,097
– Sewerage network	243,268	(104,109)	139,159	2,409	–	–	(3,753)	4,029	1,196	2,287	255,621	(110,294)	145,327
– Swimming pools	12,070	(8,677)	3,393	–	–	–	(214)	31	501	–	12,101	(8,390)	3,711
– Other open space/recreational assets	61,366	(30,911)	30,455	1,114	199	–	(1,330)	131	5,516	–	61,113	(25,028)	36,085
– Other infrastructure	24,053	(4,309)	19,744	1,510	–	–	(752)	1,561	(479)	–	27,110	(5,526)	21,584
Other assets:													
– Library books	2,047	(1,746)	301	–	–	–	(53)	–	–	–	2,047	(1,799)	248
Reinstatement, rehabilitation and restoration assets (refer Note 14):													
– Tip assets	5,467	(3,809)	1,658	–	–	–	–	–	–	–	5,467	(3,809)	1,658
Total Infrastructure, property, plant and equipment	1,563,418	(601,709)	961,709	20,188	867	(2,316)	(22,850)	–	96	29,782	1,613,438	(625,962)	987,476

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

	as at 1/7/2017			Asset movements during the reporting period				as at 30/6/2018		
	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions new assets	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000										
Capital work in progress	6,949	—	6,949	23,255	—	(6,134)	—	24,070	—	24,070
Plant and equipment	20,458	(9,632)	10,826	734	(1,382)	—	—	21,192	(11,014)	10,178
Office equipment	3,773	(3,403)	370	—	(61)	—	—	3,773	(3,464)	309
Land:										
– Operational land	43,341	—	43,341	—	—	—	—	43,341	—	43,341
– Community land	49,337	—	49,337	—	—	—	—	49,337	—	49,337
– Land under roads (post 30/6/08)	540	—	540	—	—	—	—	540	—	540
Infrastructure:										
– Buildings – specialised	64,864	(13,370)	51,494	—	(387)	—	—	64,864	(13,757)	51,107
– Roads	375,057	(203,211)	171,846	—	(654)	3,419	—	378,476	(203,865)	174,611
– Bridges	167,529	(82,894)	84,635	—	(1,904)	442	—	167,971	(84,798)	83,173
– Footpaths	8,592	(4,398)	4,194	—	(195)	—	—	8,592	(4,593)	3,999
– Bulk earthworks (non-depreciable)	136,984	—	136,984	—	—	—	—	136,984	—	136,984
– Stormwater drainage	37,230	(11,249)	25,981	—	(375)	—	—	37,230	(11,624)	25,606
– Water supply network	275,100	(111,336)	163,764	—	(3,697)	307	3,370	278,777	(115,033)	163,744
– Sewerage network	239,957	(98,885)	141,072	—	(5,224)	420	2,891	243,268	(104,109)	139,159
– Swimming pools	12,070	(7,954)	4,116	—	(723)	—	—	12,070	(8,677)	3,393
– Other open space/recreational assets	61,366	(22,798)	38,568	—	(8,113)	—	—	61,366	(30,911)	30,455
– Other infrastructure	22,507	(4,071)	18,436	—	(238)	1,546	—	24,053	(4,309)	19,744
Other assets:										
– Library books	2,047	(1,680)	367	—	(66)	—	—	2,047	(1,746)	301
Reinstatement, rehabilitation and restoration assets (refer Note 14):										
– Tip assets	3,809	(3,809)	—	1,658	—	—	—	5,467	(3,809)	1,658
Total Infrastructure, property, plant and equipment	1,531,510	(578,690)	952,820	25,647	(23,019)	—	6,261	1,563,418	(601,709)	961,709

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – Water.

Increases in the carrying amounts arising on revaluation are credited to the revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land and buildings, but will not recognise plant and vehicles

Note 9(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	5,262	—	5,262	5,373	—	5,373
Plant and equipment	40	25	15	41	27	14
Land						
Infrastructure	290,649	122,552	168,097	278,777	115,033	163,744
Total water supply	295,951	122,577	173,374	284,191	115,060	169,131
Sewerage services						
WIP	2,139	—	2,139	5,993	—	5,993
Plant and equipment	2,066	1,400	666	1,712	1,225	487
Land						
– Operational land	13	—	13	13	—	13
Infrastructure	255,621	110,294	145,327	243,268	104,109	139,159
Total sewerage services	259,839	111,694	148,145	250,986	105,334	145,652
Domestic waste management						
Land						
Other assets	5,467	3,809	1,658	5,467	3,809	1,658
Total DWM	5,467	3,809	1,658	5,467	3,809	1,658
TOTAL RESTRICTED I,PP&E	561,257	238,080	323,177	540,644	224,203	316,441

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	2,746	1	2,120	–
Accrued expenses:				
– Borrowings	181	–	261	–
– Salaries and wages	1,563	–	1,439	–
Security bonds, deposits and retentions	1,509	–	1,494	–
Total payables	5,999	1	5,314	–
Income received in advance				
Payments received in advance	842	–	756	–
Total income received in advance	842	–	756	–
Borrowings				
Loans – secured ¹	3,470	31,775	3,758	35,245
Finance lease liabilities	26	–	61	30
Total borrowings	3,496	31,775	3,819	35,275
TOTAL PAYABLES AND BORROWINGS	10,337	31,776	9,889	35,275

(1) Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Sewer	190	17,717	1,153	17,940
Payables and borrowings relating to externally restricted assets	190	17,717	1,153	17,940
Total payables and borrowings relating to restricted assets	190	17,717	1,153	17,940
Total payables and borrowings relating to unrestricted assets	10,147	14,059	8,736	17,335
TOTAL PAYABLES AND BORROWINGS	10,337	31,776	9,889	35,275

(b) Current payables and borrowings not anticipated to be settled within the next twelve months

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Total payables and borrowings	–	–
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(c) Changes in liabilities arising from financing activities

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	39,003	(3,758)	–	–	–	35,245
Finance lease liabilities	91	(65)	–	–	–	26
TOTAL	39,094	(3,823)	–	–	–	35,271

	as at 30/6/2017					as at 30/6/2018
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	37,911	1,092	–	–	–	39,003
Finance lease liabilities	150	(59)	–	–	–	91
TOTAL	38,061	1,033	–	–	–	39,094

\$ '000	2019	2018
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(d) Financing arrangements

(i) Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities ¹	300	300
Total financing arrangements	300	300

Undrawn facilities as at balance date:

– Bank overdraft facilities	300	300
Total undrawn financing arrangements	300	300

Additional financing arrangements information

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

Security over loans

Council loans secured over future cash flows

Bank overdrafts

The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

Payables

These amounts represent liabilities for goods and services provided to the council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	2,888	–	2,616	–
Long service leave	3,992	267	3,771	195
Other leave	162	–	137	–
Sub-total – aggregate employee benefits	7,042	267	6,524	195
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	5,675	1,000	4,675
Sub-total – asset remediation/restoration	–	5,675	1,000	4,675
TOTAL PROVISIONS	7,042	5,942	7,524	4,870

\$ '000	2019	2018
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(a) Current provisions not anticipated to be settled within the next twelve months

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	3,770	4,340
	3,770	4,340

(b) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2019				
At beginning of year	2,616	3,966	137	6,719
Other	272	293	25	590
Total ELE provisions at end of period	2,888	4,259	162	7,309
2018				
At beginning of year	2,510	4,102	116	6,728
Additional provisions	1,949	867	169	2,985
Amounts used (payments)	(1,843)	(1,003)	(148)	(2,994)
Total ELE provisions at end of period	2,616	3,966	137	6,719

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	5,675	5,675
Total other provisions at end of period	5,675	5,675
2018		

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

\$ '000	Other provisions	
	Asset remediation	Total
At beginning of year	4,017	4,017
Other	1,658	1,658
Total other provisions at end of period	5,675	5,675

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

Accounting policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

Available for sale investments revaluation reserve (2018 only)

Changes in fair value are taken to the available-for-sale investments revaluation reserve, amounts are recognised in profit and loss when the associated assets are sold or impaired.

Other reserves

Council has additional internally restricted reserves. There are a number of these that are project based and others that are functional areas that Council restricts all profits to reserve.

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error**Balance Sheet Error**

Council has discovered a number of issues with the Property Plant and Equipment disclosures, the errors relate to identified assets in the Land and Building Revaluations completed this year and errors in the 2018 Financial statements.

Following a Revaluation of Operational land in 2019, land to the value of \$11,323,000 was valued and recognised, the land is primarily either water, sewer or Rural Fire Service.

Following a Revaluation of Buildings in 2019, 40 buildings with a Fair Value of \$8,757,419 were recognised. The buildings are primarily Rural Fire service Shed, toilets and Surf life saving clubhouses. The initial amount of \$9,013,399 was recognised at 1/7/2017 with the depreciation of \$127,990 recognised in the income statement for the 2018 and 2019 years.

Council 2018 Financial Statements included assets that had been sold during the 2018 Financial year, these assets had a written down value of \$455,363. The PPE note also included a \$87,785 error in revaluation, capitalisation and depreciation.

Income Statement Error

Depreciation of found buildings assets was expensed totalling \$127,990.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Changes to the opening Statement of Financial Position at 1 July 2017**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Operational land	32,018	11,323	43,341
Buildings	48,481	9,013	57,494
Total assets	1,002,221	20,336	1,022,557

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Total liabilities	53,412	–	53,412
Accumulated Surplus	557,608	20,336	577,944
Total equity	948,809	20,336	969,145

Adjustments to the comparative figures for the year ended 30 June 2018

Statement of Financial Position

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Infrastructure, Property Plant And Equipment	941,501	20,336	961,837
Total assets	1,021,527	20,336	1,041,863
Total liabilities	57,557	–	57,557
Accumulated Surplus	566,508	20,336	586,844
Total equity	963,970	20,336	984,306

Income Statement

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Total income from continuing operations	100,553	–	100,553
Depreciation	22,891	128	23,019
Total expenses from continuing operations	91,653	128	91,781
Net operating result for the year	8,900	(128)	8,772

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Net operating result for the year	8,900	(128)	8,772
Gains on Revaluation of IPP&E	6,261	–	6,261
Other comprehensive income	6,261	–	6,261
Total comprehensive income for the year	15,161	(128)	15,033

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**(c) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)**

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

– AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

– AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
\$ '000			

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Transition adjustments

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
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(a) Reconciliation of cash assets

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows - additional information (continued)

\$ '000	Notes	2019	2018
Total cash and cash equivalent assets	6(a)	82,887	72,166
Balance as per the Statement of Cash Flows		82,887	72,166

(b) Reconciliation of net operating result to cash provided from operating activities

Net operating result from Income Statement	7,990	8,772
Adjust for non-cash items:		
Depreciation and amortisation	22,850	23,018
Net losses/(gains) on disposal of assets	(179)	–
Amortisation of premiums, discounts and prior period fair valuations		
– Interest on all fair value adjusted interest free advances made by Council	(4)	(4)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	1,231	(522)
Decrease/(increase) in inventories	(55)	290
Increase/(decrease) in payables	627	967
Increase/(decrease) in accrued interest payable	(80)	(15)
Increase/(decrease) in other accrued expenses payable	124	4
Increase/(decrease) in other liabilities	101	507
Increase/(decrease) in provision for employee benefits	590	(9)
Increase/(decrease) in other provisions	–	71
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	33,195	33,079

Note 14. Commitments

(a) Finance lease commitments

(i) Commitments under finance leases at the reporting date are payable as follows:

\$ '000	2019	2018
Within the next year	26	61
Later than one year and not later than 5 years	–	30
Total minimum lease payments	26	91
Amount recognised as a liability	26	91

(ii) Finance lease liability recognised represent:

\$ '000	2019	2018
Current liabilities	26	61

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Commitments (continued)

\$ '000	2019	2018
Non-current liabilities	–	30
Total finance lease liabilities disclosed	26	91

(iii) General details

Council leases the following property, plant and equipment under finance leases:

	Term (years) 2019	Option to purchase 2019	Contingent rent clauses 2019	2019	2018
\$ '000					
Other equipment/assets	5	YES	y/n	26	91
Total carrying value at period end				26	91

(b) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	1	2
Later than one year and not later than 5 years	31	19
Total non-cancellable operating lease commitments	32	21

b. Non-cancellable operating leases include the following assets:

Conditions relating to finance and operating leases:

- All finance agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Note 15. Contingencies and other assets/liabilities not recognised

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Contingencies and other assets/liabilities not recognised (continued)

– The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Description of the funding arrangements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions for non-180 Point Members: Nil for 180 Point Members
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for x years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 363,655.42. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$230,360. Council's expected contribution to the plan for the next annual reporting period is \$365,766

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

* excluding member accounts and reserves in both assets and liabilities.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$396,600 as at 30 June 2019.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Contingencies and other assets/liabilities not recognised (continued)

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

Council has provided no other guarantees other than those listed above.

2. Other liabilities

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Contingencies and other assets/liabilities not recognised (continued)

ASSETS NOT RECOGNISED**(i) Land under roads**

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

Note 16. Financial risk management

Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	82,887	72,166	—	—
Receivables	6,222	7,453	—	—
Total financial assets	89,109	79,619	—	—
Financial liabilities				
Payables	6,000	5,314	—	—
Loans/advances	35,245	39,003	—	—
Lease liabilities	26	91	—	—
Total financial liabilities	41,271	44,408	—	—

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management (continued)

- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and Investments portfolio.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

(a) Market risk – price risk and interest rate risk

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	622	622	622	622
Possible impact of a 1% movement in interest rates	62	62	62	62
2018				
Possible impact of a 10% movement in market values	745	745	745	745
Possible impact of a 1% movement in interest rates	75	75	75	75

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management (continued)

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

Credit risk profile

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	1,529	216	130	93	271	2,239
2018						
Gross carrying amount	–	1,830	–	–	–	1,830

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	2,598	250	161	153	1,065	4,227
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2018						
Gross carrying amount	3,025	2,372	260	49	161	5,867
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management (continued)

interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:				
			≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	1,509	–	–	–	1,509	6,000
Loans and advances	0.00%	–	3,750	14,644	16,851	35,245	35,245
Lease liabilities	0.00%	–	26	–	–	26	26
Total financial liabilities		1,509	3,776	14,644	16,851	36,780	41,271
2018							
Trade/other payables	0.00%	1,494	3,819	–	–	5,313	5,314
Loans and advances	0.00%	–	3,758	14,690	20,555	39,003	39,003
Lease liabilities	0.00%	–	63	28	–	91	91
Total financial liabilities		1,494	7,640	14,718	20,555	44,407	44,408

Loan agreement breaches

Detail here any breaches to loan agreements which have occurred during the reporting year.

Note 17. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 27/06/2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements must disclose the original budget adopted by Council, the Local Government Act 1993 requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 Variance	
REVENUES				
Rates and annual charges	50,179	50,496	317	1% F
User charges and fees	19,635	18,636	(999)	(5)% U
Interest and investment revenue	1,441	2,241	800	56% F

Council was very conservative in its estimate of Interest and investment revenue.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Other revenues	1,023	1,134	111	11% F
Council received higher than anticipated insurance income and reimbursement of legal fees in relation to recovery of rates and charges				
Operating grants and contributions	12,149	19,091	6,942	57% F
Council has received higher than anticipated grant and contributions income, opportunities for funding become available throughout the year and are difficult to budget for them. Council also received payment in advance for the Financial Assistance Grant				
Capital grants and contributions	19,428	16,910	(2,518)	(13)% U
Net gains from disposal of assets	–	179	179	∞ F

EXPENSES

Employee benefits and on-costs	33,084	33,612	(528)	(2)% U
Borrowing costs	1,937	1,835	102	5% F
Materials and contracts	22,052	35,359	(13,307)	(60)% U
A substantial portion of the increase in this area is a direct result from the carry forward expenditure relating to grants and contributions recognised in 2017-18 on projects that are not able to be capitalised.				
Depreciation and amortisation	20,490	22,850	(2,360)	(12)% U
Other expenses	8,574	7,041	1,533	18% F
Council's costs in relation to phone, electricity, subscriptions was lower than budget estimates				

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	36,788	33,195	(3,593)	(10)% U
Net cash provided from (used in) investing activities	(41,620)	(18,651)	22,969	(55)% F
Net cash provided from (used in) financing activities	(3,748)	(3,823)	(75)	2% U

Note 18. Fair Value Measurement

The Council measures the following asset and liability classes at fair value on a recurring basis:

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) Assets and liabilities that have been measured and recognised at fair values

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9(a)					
Capital work in progress		30/6/2019	—	—	7,961	7,961
Plant and equipment			—	—	12,431	12,431
Land operational		30/6/2019	—	45,440	—	45,440
Land community and land improvements			—	—	49,877	49,877
Buildings and other structures		30/6/2019	—	—	70,851	70,851
Roads (incl bridges footpaths and bulk earthworks)			—	—	396,929	396,929
Stormwater drainage			—	—	25,250	25,250
Water supply network		30/6/2017	—	—	168,097	168,097
Sewer network		30/6/2017	—	—	145,327	145,327
Recreational assets			—	—	42,051	42,051
Library books			—	—	248	248
Other infrastructure			—	—	20,103	20,103
Total infrastructure, property, plant and equipment			—	45,440	939,125	984,565

2018	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment	9(a)					
Capital work in progress		30/06/18	—	—	24,070	24,070
Plant and equipment			—	—	10,487	10,487
Land operational			—	—	43,341	43,341
Land community and land improvements			—	—	49,877	49,877
Buildings and other structures			—	—	51,107	51,107
Roads (incl bridges footpaths and bulk earthworks)			—	—	398,767	398,767
Stormwater drainage			—	—	25,606	25,606
Water supply network		30/06/17	—	—	163,744	163,744
Sewer network		30/06/17	—	—	139,159	139,159
Recreational assets			—	—	33,848	33,848
Library books			—	—	301	301
Other infrastructure			—	—	21,402	21,402
Total infrastructure, property, plant and equipment			—	—	961,709	961,709

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

Note that capital WIP is not included above since it is carried at cost.

(2) Transfers between level 1 and level 2 fair value hierarchies

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

(3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Infrastructure, property, plant and equipment (IPP&E)

Plant and equipment, and office equipment

Plant & equipment, and office equipment are valued at cost but are disclosed at fair value in the notes in accordance with the Code of Accounting practice. The carrying amounts of these assets is assumed to approximate fair value due to the nature of the items. The unobservable inputs for these items are the estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Operational land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The most recent valuation was 30 June 2019 carried out by APV valuers. The unobservable input is the reliance on estimates but was based on market values available. There has been no change to the valuation process during the reporting period.

Community land and land improvements

Community land and land improvements were last reviewed at 30 June 2011. This exercise was done in house using adjacent land value where available, or alternatively the unit rate average by the size of each parcel of land. These valuations are achieved through unobservable inputs and are reported in Level 3. Land improvements include assets such as landscaping and streetscaping. There has been no change to the valuation process during the reporting period.

Buildings and other structures

The most recent fair value for the Building asset class was 30 June 2019 and was carried out by APV Valuers. The method used was fair value (market-based measurement). It is categorised in Level 3 as although the fair value measurement was carried out by professional valuers, and based on market movement, it is still open to subjective assessment. There has been no change to the valuation process during the reporting period.

Other structures were valued in house using the replacement cost method, reviewing condition and remaining useful life. As these were subjective estimates using unobservable inputs, they are reported in Level 3. There has been no change in the valuation process during the reporting period.

Roads infrastructure

This asset class, including roads surface, substructure, earthworks kerb and gutter and footpaths was revalued for 30 June 2015. This roads revaluation was carried out in-house by engineering professionals. As there are unobservable inputs (including condition and remaining useful life and residual values) this class has been reported in Level 3. There has been no change in the valuation process during the reporting period.

Stormwater drainage

This asset class was also revalued for 30 June 2015 using in-house professionals. As with roads infrastructure there are unobservable inputs (including condition, remaining useful life and residual values) and so has been reported in Level 3. There has been no change in the valuation process during the reporting period.

Water supply network and sewer network

The most recent valuation was carried out by APV Valuers for 30 June 2017.

The asset data for valuation was derived mainly from Council's asset management system and engineering drawings of facilities supplied by council. The report contains the summaries of fair values of major classes and subclasses of water supply and sewerage assets for reference rate index applied each year between full revaluation exercises.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

As with previous asset classes there has been unobservable inputs (including condition, remaining useful life and residual values) and so has been reported in Level 3. There has been no change in the valuation process during the reporting period.

Recreational assets

This class of assets was revalued for 30 June 2011 by in-house professionals and so has also been categorised in Level 3 due to the unobservable inputs of estimated useful life, condition assessment and replacement values. There has been no change in the valuation process during the reporting period.

Library books

Library books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. There has been no change in the valuation process during the reporting period.

(4) Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Related Party Transactions

(a) Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,319	1,279
Termination benefits	26	170
Total	1,345	1,449

(b) Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000	Ref					
2019						
Supply of materials	1	16	—	Standard 30-day terms on invoice	—	—
2018						
Supply of materials	1	8	—		—	—

Notes to the Financial Statements for the year ended 30 June 2019

Note 19. Related Party Transactions (continued)

- 1 Council purchased materials from Eden Gas and Gear, a company which employees a KMP's daughter and son-in-law.

Note 20. Events occurring after the reporting date

Bega Valley Shire Council is aware of the following 'non-adjusting events' that merit disclosure:

Bushfire Disaster- Council has had significant portion of the local government area affected by Fire. These fires were active in the valley from 30 December 2019. The fires were declared a Section 44 under the Rural Fire Service Act and as such the majority of the combat costs were covered by the Rural Fire Service, Council has identified additional costs that will be met by Council and adjustments will be made in the 2020 Budget to cover these costs.

A natural Disaster declaration for the Bega Valley Shire Council was announced to support council through this emergency and rebuild of essential public assets will be funded through DFRA funding. Council will also have a long recovery process, Council has been fortunate to have these costs funded by Office of Emergency Management.

Floods - Council in January had an additional Natural Disaster declared as flooding hit our already fragile environment. Council is eligible again for DRFA funding for essential public assets.

Both events will have a significant effect on Council's finances that will require Council to revisit its Operational and Delivery programs to reduce costs in other areas, this may result in lower service levels in a number of areas.

Council has significant damage to public infrastructure that has been impaired, council is unable to reliably quantify this damage at this time.

Note 21. Statement of developer contributions

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions (continued)

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

Summary of contributions and levies

	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Roads	–	762	–	13	–	–	775	–
Open space	189	123	–	4	–	–	316	–
Community facilities	29	97	–	2	–	–	128	–
Other	24	70	–	2	–	–	96	–
Land acquisition	33	6	–	1	–	–	40	–
S7.11 contributions – under a plan	275	1,058	–	22	–	–	1,355	–
S7.12 levies – under a plan	30	580	–	9	–	–	619	–
Total S7.11 and S7.12 revenue under plans	305	1,638	–	31	–	–	1,974	–
S7.11 not under plans	1,114	26	–	22	–	–	1,162	–
S64 contributions	10,654	1,738	–	180	(3,892)	–	8,680	–
Total contributions	12,073	3,402	–	233	(3,892)	–	11,816	–

S7.11 Contributions – under a plan

Section 7.11 and 7.12 Contributions Plan 2014

Roads	–	762	–	13	–	–	775	–
Open space	189	123	–	4	–	–	316	–
Community facilities	29	97	–	2	–	–	128	–
Land acquisition	33	6	–	1	–	–	40	–
Other	24	70	–	2	–	–	96	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions (continued)

	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from		
Total	275	1,058	–	22	–	–	1,355	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN

Other	30	580	–	9	–	–	619	–
Total	30	580	–	9	–	–	619	–

S7.11 Contributions – not under a plan

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

Parking	704	26	–	14	–	–	744	–
Public reserve acquisition	410	–	–	8	–	–	418	–
Total	1,114	26	–	22	–	–	1,162	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	31,992	3,287	15,217
User charges and fees	7,884	8,455	2,297
Interest and investment revenue	777	526	938
Other revenues	1,114	20	–
Grants and contributions provided for operating purposes	18,819	146	126
Grants and contributions provided for capital purposes	15,152	943	815
Other income			
Net gains from disposal of assets	179	–	–
Total income from continuing operations	75,917	13,377	19,393
Expenses from continuing operations			
Employee benefits and on-costs	27,783	2,578	3,251
Borrowing costs	720	–	1,115
Materials and contracts	24,885	3,999	6,475
Depreciation and amortisation	15,511	3,497	3,842
Other expenses	5,958	431	652
Total expenses from continuing operations	74,857	10,505	15,335
Operating result from continuing operations	1,060	2,872	4,058
Net operating result for the year	1,060	2,872	4,058
Net operating result attributable to each council fund	1,060	2,872	4,058
Net operating result for the year before grants and contributions provided for capital purposes	(14,092)	1,929	3,243

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

(1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Statement of Financial Position by fund

ASSETS**Current assets**

Cash and cash equivalents	82,887	–	–
Investments	(51,456)	18,331	33,125
Receivables	4,940	740	533
Inventories	462	–	–
Total current assets	36,833	19,071	33,658

Non-current assets

Receivables	9	–	–
Infrastructure, property, plant and equipment	665,947	173,401	148,128
Total non-current assets	665,956	173,401	148,128

TOTAL ASSETS

702,789	192,472	181,786
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LIABILITIES

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Current liabilities			
Payables	5,809	–	190
Income received in advance	842	–	–
Borrowings	3,496	–	–
Provisions	7,042	–	–
Total current liabilities	17,189	–	190
Non-current liabilities			
Payables	1	–	–
Borrowings	14,058	–	17,717
Provisions	5,942	–	–
Total non-current liabilities	20,001	–	17,717
TOTAL LIABILITIES	37,190	–	17,907
Net assets	665,599	192,472	163,879
EQUITY			
Accumulated surplus	396,474	105,748	92,484
Revaluation reserves	269,125	86,724	71,395
Council equity interest	665,599	192,472	163,879
Total equity	665,599	192,472	163,879

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

Details of individual internal loans for the year ended 30 June 2019

(in accordance with s410(3) of the *Local Government Act 1993*)

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	Prior periods 2017	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(9,099)	(9.93)%	1.00%	(2.89)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	91,598				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	71,707	66.08%	69.68%	71.67%	>60.00%
Total continuing operating revenue ¹	108,508				
3. Unrestricted current ratio					
Current assets less all external restrictions	8,645	0.64x	2.00x	1.47x	>1.50x
Current liabilities less specific purpose liabilities	13,419				
4. Debt service cover ratio					

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(a). Statement of performance measures – consolidated results (continued)

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	15,586	2.75x	4.84x	4.38x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,658				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	2,441	4.68%	3.99%	3.59%	<10.00%
Rates, annual and extra charges collectible	52,191				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	82,887	12.22 mths	13.04 mths	9.98 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	6,785				

(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(23.55)%	(4.94)%	15.51%	7.43%	17.46%	17.68%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	54.09%	59.73%	91.86%	89.01%	95.15%	91.28%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	0.64x	2.00x	∞	∞	177.15x	21.06x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	0.43x	(7.55)x	∞	∞	7.35x	3.90x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	7.25%	5.01%	0.00%	2.47%	0.00%	2.05%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.22	4.65	∞	∞	∞	∞	>3.00
Payments from cash flow of operating and financing activities	mths	mths					mths

(1) - (2) Refer to Notes at Note 28a above.

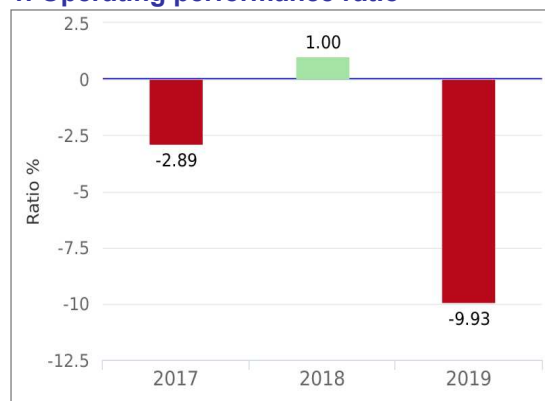
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2018/19 result

2018/19 ratio (9.93)%

Council's operating performance ratio is below the benchmark of breakeven.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2018/19 result

2018/19 ratio 66.08%

Council's Own Source Revenue ratio remains above the benchmark. This year's slight drop is mainly due to grant funding.

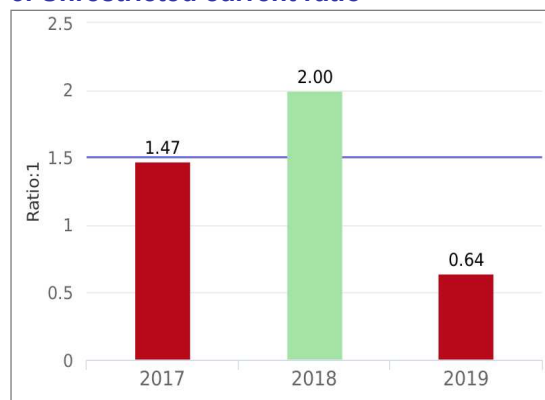
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2018/19 result

2018/19 ratio 0.64x

Council's Unrestricted Cash Ratio is below the benchmark.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

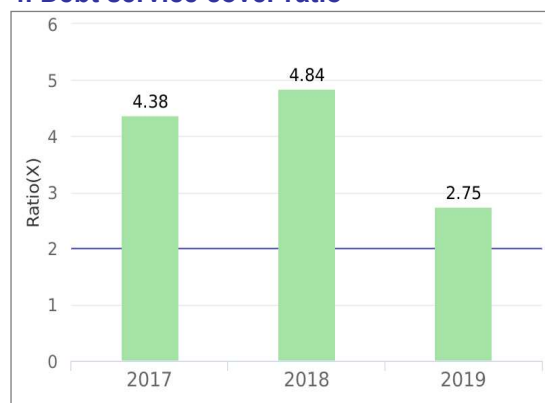
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2018/19 result

2018/19 ratio 2.75x

Council's Debt Service Cover Ratio remains above the benchmark.

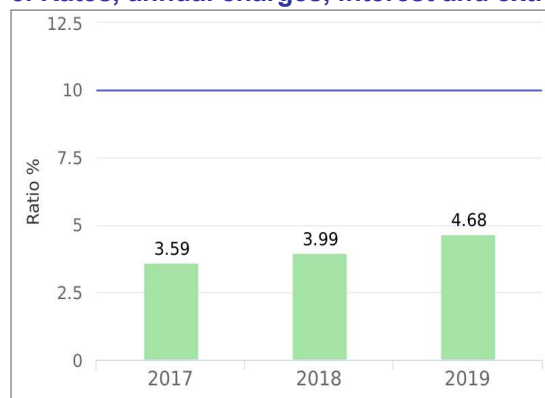
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2018/19 result

2018/19 ratio 4.68%

Council's Rates and Annual Charges Outstanding Ratio remains well below the benchmark.

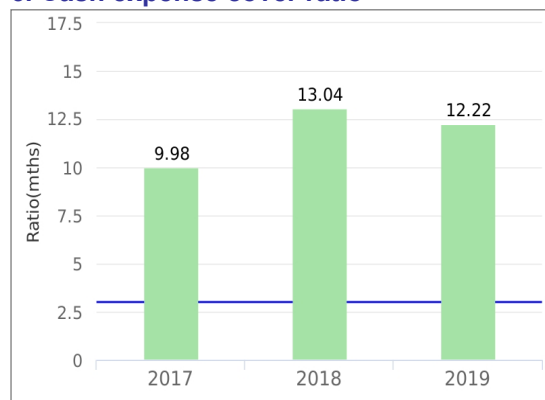
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2018/19 result

2018/19 ratio 12.22 mths

Council's Cash Expense Cover Ratio remains well above the benchmark.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Financial review

Review and commentary on Council's financial result

Review and commentary on Council's financial result

Review and commentary on Council's financial position

Review and commentary on Council's cash flows

Note 25. Council information and contact details

Principal place of business:

Zingel Place
BEGA nsw 2550

Contact details

Mailing Address:

PO Box 492
BEGA NSW 2550

Telephone: 02 6499 2222

Facsimile: 02 6499 2200

Opening hours:

9:00am - 4:30pm
Monday to Friday

Internet: www.begavalley.gov.au

Email: council@council.nsw.gov.au

Officers

General Manager

Leanne Barnes OAM

Responsible Accounting Officer

Judith Jordan

Elected members

Mayor

Cr. Kristy McBain

Councillors

Cr. Sharon Tapscott (Deputy Mayor)

Cr. Tony Allen

Cr. Robyn Bain

Cr. Jo Dodds

Cr. Russell Fitzpatrick

Cr. Cathy Griff

Cr. Mitchell Nadin

Cr. Liz Seckold

Other information

ABN: 26 987 935 332



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bega Valley Shire Council

To the Councillors of the Bega Valley Shire Council

Opinion

I have audited the accompanying financial statements of Bega Valley Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 17 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Dominika Ryan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 February 2020
SYDNEY

Ms Kristy McBain
Mayor
Bega Valley Shire Council
PO Box 492
BEGA NSW 2550

Contact: Dominika Ryan
Phone no: 02 9275 7336
Our ref: D2003619/1690

28 February 2020

Dear Mayor

Report on the Conduct of the Audit
for the year ended 30 June 2019
Bega Valley Shire Council





I have audited the general purpose financial statements (GPFS) of Bega Valley Shire Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	50.5	48.8	 3.5
Grants and contributions revenue	36.0	29.7	 21.2
Operating result for the year	8.0	8.8	 9.1
Net operating result before capital amounts	(8.9)	0.9	 1088

Council's operating result (\$8.0 million including the effect of depreciation and amortisation expense of \$22.9 million) was \$800,000 less than the 2017–18 result. This was due to significant increase in total revenue of \$8.1 million (8.1 per cent) offset by \$8.9 million (9.7 per cent) increase in total expenses. The

increase in revenue was largely the result of \$6.3 million (21.2 per cent) increase in grants and contributions.

The main reasons for the movement in grants and contributions revenue were due to the net effect of:

- increase in capital grants and contributions by \$9.1 million compared to prior year due to the receipt of \$10.0 million grant from NSW Roads and Maritime Services to finance the Towamba Burragate Roads upgrades
- decrease in operating grants and contributions of \$2.8 million.

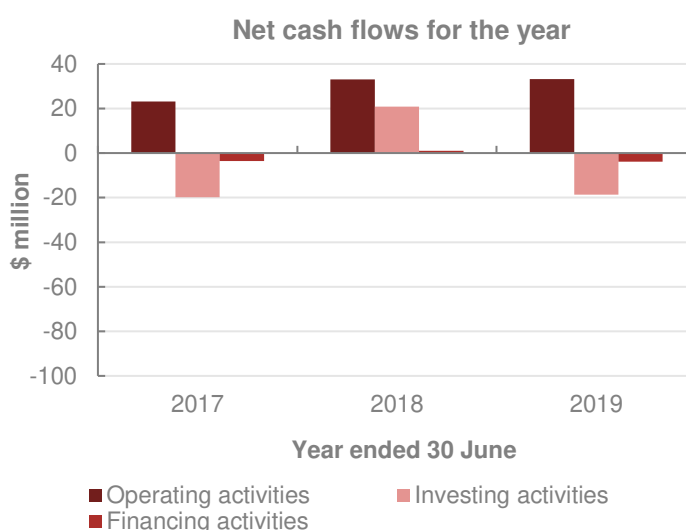
The net operating result before capital grants and contributions (\$8.9 million) was \$9.9 million lower than the 2017–18 result largely due to materials and contracts expenses which increased by \$7.6 million (27.3 per cent). This is reflective of the increased level of operations in 2018-19.

STATEMENT OF CASH FLOWS

Operating cash flows were impacted by an increase of \$4.7 million in user charges and fees collected, increase of \$3.7 million in grants and contributions receipts, increase of \$2.2 million in rates and annual charges and increase of \$8.5 million in materials and contracts payments.

Investing cash outflows decreased by \$39.5 million mainly due to decrease of \$86.5 million and \$41.6 million in proceeds from sale of investment securities and purchases respectively.

Financing cash outflows decreased by \$4.9 million due to repayment of borrowings and advances.



FINANCIAL POSITION

Cash and investments

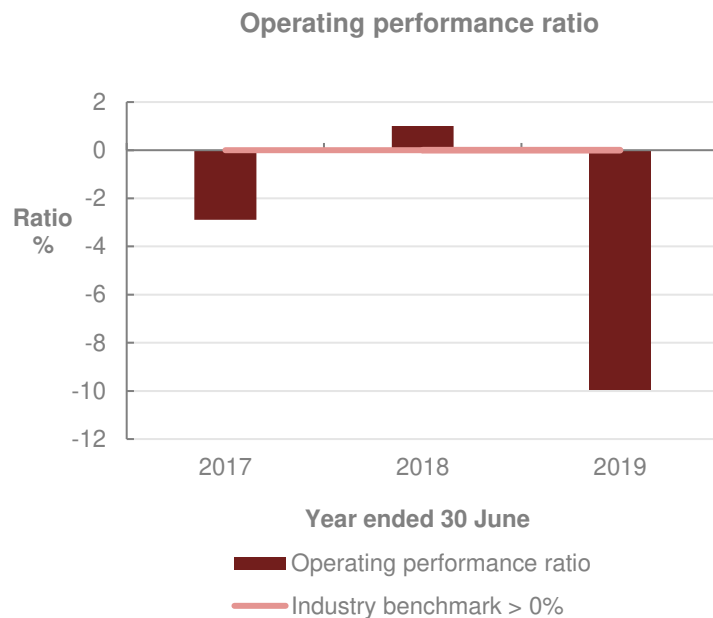
Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	79.6	55.0	External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, levies and planning agreements.
Internal restrictions	3.2	11.6	
Unrestricted	--	5.6	
Cash and investments	82.9	72.2	Balances are internally restricted due to Council policy or decisions for forward plans including works program.
			Unrestricted balances provide liquidity for day-to-day operations.
			The balance for cash and investments increased by \$10.7 million. The movement was a result of an increase in short-term investments.

PERFORMANCE

Operating performance ratio

The Council's operating performance ratio of negative 9.9 per cent in 2018–19 is below the industry benchmark. The ratio decreased this year due to lower operating result which is a result of increased expenses, particularly materials and contracts.

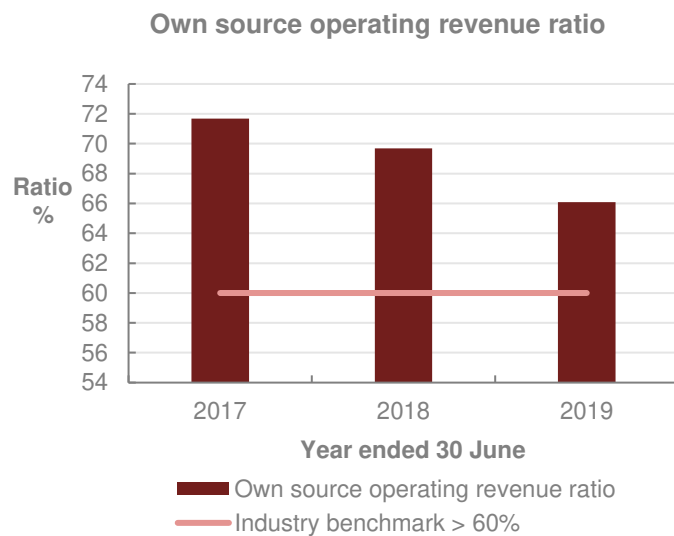
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than zero per cent.



Own source operating revenue ratio

The Council's own source operating ratio of 66.1 per cent is above the industry benchmark.

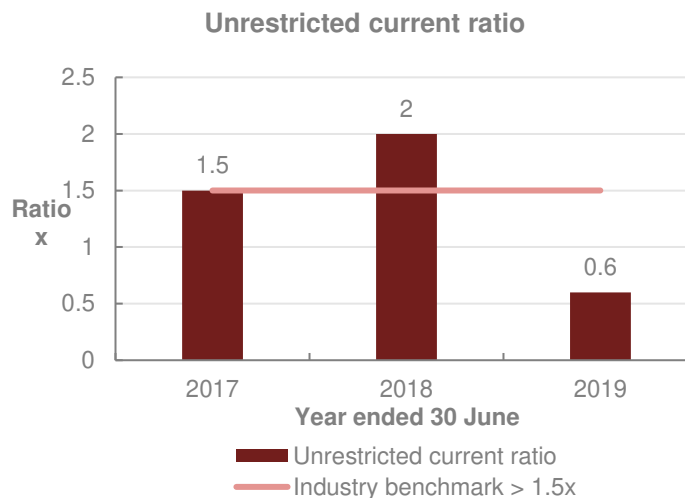
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

The Council's unrestricted current ratio of 0.6 in 2018–19 is below the industry benchmark. The ratio indicates the Council has \$0.60 available to service every \$1.00 of unrestricted current liabilities.

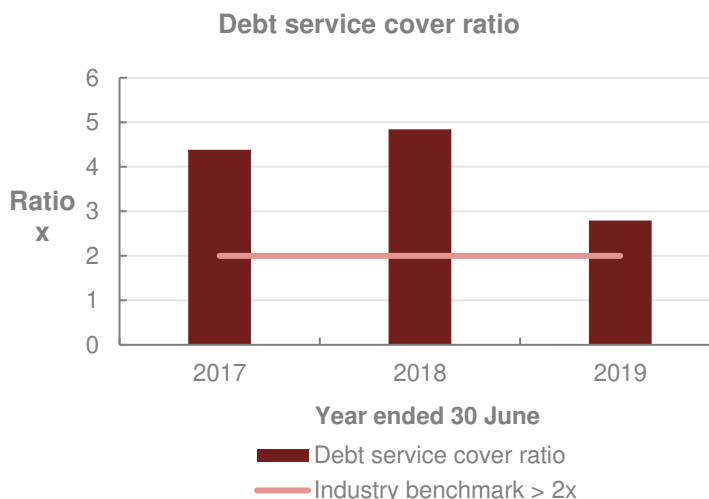
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

The Council's debt service cover ratio of 2.8 times continues to exceed the industry benchmark. The ratio is above industry benchmarks.

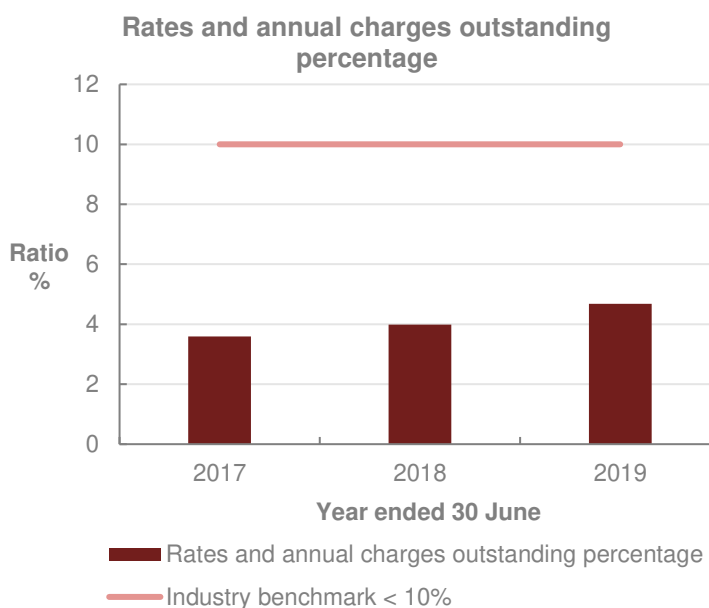
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

The Council's outstanding rates and charges ratio of 4.7 per cent shows a slight increase from 2017–18 but remains lower than the industry benchmark.

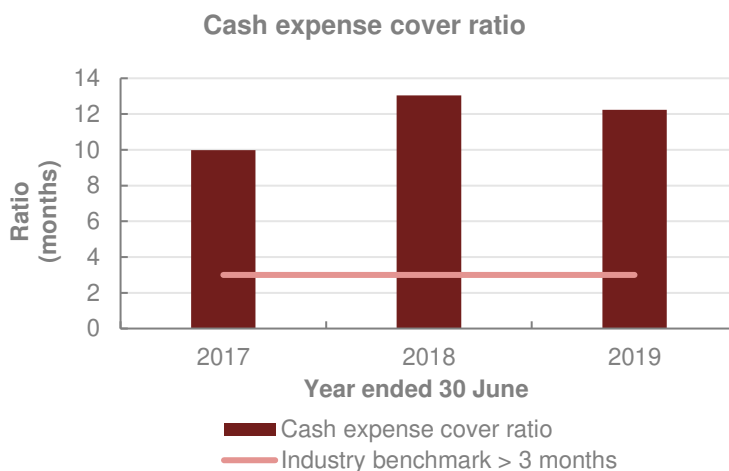
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council's cash expense cover ratio of 12.2 months has decreased as compared to 13.0 months in 2017-18. It continues to exceed the industry benchmark.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the former OLG is greater than three months.



Infrastructure, property, plant and equipment renewals

Infrastructure, property, plant and equipment renewals for 2018-19 amounted to \$20.2 million, lower compared to prior year balance of \$25.6 million. The decrease was mainly caused by the following movements:

- capital work in progress renewals have decreased to \$6.8 million in 2018-19 from \$23.3 million in 2017-18
- roads renewals have increased by \$3.8 million
- water supply and sewerage network renewals have increased by \$4.0 million.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> • a simplified model for classifying and measuring financial assets • a new method for calculating impairment • a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 12.</p>

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial statements. The Council's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Dominika Ryan
Director Financial Services

Delegate of the Auditor-General for New South Wales

cc: Leanne Barnes General Manager
Tim Hurst, Chief Executive of the Office of Local Government

Bega Valley Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



Special Purpose Financial Statements

for the year ended 30 June 2019

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(1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Special Purpose Financial Statements

for the year ended 30 June 2019

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial Reporting*,
- the NSW Office of Water *Best-Practice Management of Water and Sewerage Guidelines*.

To the best of our knowledge and belief, these statements:

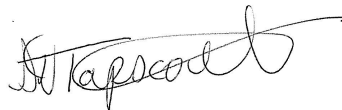
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 30 October 2019.



Cr. Kristy McBain
Mayor
28 February 2020



Cr. Sharon Tapscott
Deputy Mayor
28 February 2020



Leanne Barnes OAM
General Manager
28 February 2020



Judith Jordan
Responsible Accounting Officer
28 February 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	3,287	3,159
User charges	8,088	8,027
Fees	367	323
Interest	526	266
Grants and contributions provided for non-capital purposes	146	143
Other income	20	21
Total income from continuing operations	12,434	11,939
Expenses from continuing operations		
Employee benefits and on-costs	2,578	2,686
Materials and contracts	3,999	4,115
Depreciation, amortisation and impairment	3,497	3,578
Other expenses	431	673
Total expenses from continuing operations	10,505	11,052
Surplus (deficit) from continuing operations before capital amounts	1,929	887
Grants and contributions provided for capital purposes	943	1,313
Surplus (deficit) from continuing operations after capital amounts	2,872	2,200
Surplus (deficit) from all operations before tax	2,872	2,200
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(530)	(244)
SURPLUS (DEFICIT) AFTER TAX	2,342	1,956
Plus accumulated surplus	102,876	99,300
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	530	244
Less:		
Closing accumulated surplus	105,748	101,500
Return on capital %	1.1%	0.5%
Subsidy from Council	360	3,643
Calculation of dividend payable:		
Surplus (deficit) after tax	2,342	1,956
Less: capital grants and contributions (excluding developer contributions)	(128)	(281)
Surplus for dividend calculation purposes	2,214	1,675
Potential dividend calculated from surplus	1,107	838

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	15,217	14,602
User charges	2,194	2,278
Fees	103	149
Interest	938	609
Grants and contributions provided for non-capital purposes	126	123
Other income	–	77
Total income from continuing operations	18,578	17,838
Expenses from continuing operations		
Employee benefits and on-costs	3,251	2,780
Borrowing costs	1,115	1,233
Materials and contracts	6,475	4,750
Depreciation, amortisation and impairment	3,842	5,224
Other expenses	652	697
Total expenses from continuing operations	15,335	14,684
Surplus (deficit) from continuing operations before capital amounts	3,243	3,154
Grants and contributions provided for capital purposes	815	1,569
Surplus (deficit) from continuing operations after capital amounts	4,058	4,723
Surplus (deficit) from all operations before tax	4,058	4,723
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(892)	(867)
SURPLUS (DEFICIT) AFTER TAX	3,166	3,856
Plus accumulated surplus	88,280	83,557
Plus/less: prior period adjustments	146	–
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	892	867
Less:		
Closing accumulated surplus	92,484	88,280
Return on capital %	2.9%	3.0%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	3,166	3,856
Less: capital grants and contributions (excluding developer contributions)	108	(259)
Surplus for dividend calculation purposes	3,274	3,597
Potential dividend calculated from surplus	1,637	1,798

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	–	17,117
Investments	18,331	–
Receivables	740	688
Total current assets	19,071	17,805
Non-current assets		
Infrastructure, property, plant and equipment	173,401	168,979
Total non-current assets	173,401	168,979
TOTAL ASSETS	192,472	186,784
NET ASSETS	192,472	186,784
EQUITY		
Accumulated surplus	105,748	102,877
Revaluation reserves	86,724	83,907
TOTAL EQUITY	192,472	186,784

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	–	29,310
Investments	33,125	–
Receivables	533	455
Total current assets	33,658	29,765
Non-current assets		
Infrastructure, property, plant and equipment	148,128	145,652
Total non-current assets	148,128	145,652
TOTAL ASSETS	181,786	175,417
LIABILITIES		
Current liabilities		
Payables	190	264
Borrowings	–	889
Total current liabilities	190	1,153
Non-current liabilities		
Borrowings	17,717	17,940
Total non-current liabilities	17,717	17,940
TOTAL LIABILITIES	17,907	19,093
NET ASSETS	163,879	156,324
EQUITY		
Accumulated surplus	92,484	88,280
Revaluation reserves	71,395	68,044
TOTAL EQUITY	163,879	156,324

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

In accordance with Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

a. Water Supply

Comprising the operations and net assets of Council's water supply activities that services the Bega Valley Shire.

b. Sewerage Services

Comprising the operations and net assets of Council's sewerage reticulation and treatment activities that services the Bega Valley Shire.

Category 2

(where gross operating turnover is less than \$2 million)

Nil

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

(i) Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Department of Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the DoI – Water guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the DoI – Water guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Department of Industry – Water guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Bega Valley Shire Council

To the Councillors of the Bega Valley Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Bega Valley Shire Council's (the Council) declared business activities, which comprise the Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activities declared by Council, and the Statement by Councillors and Management.

The declared business activities of the Council are:

- Water Supply
- Sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared business activities as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'D Ryan', written in a cursive style.

Dominika Ryan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 February 2020
SYDNEY

Bega Valley Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	23,686	23,109
Plus or minus adjustments ²	b	67	71
Notional general income	$c = a + b$	23,753	23,180
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	641	533
Sub-total	$k = (c + g + h + i + j)$	24,394	23,713
Plus (or minus) last year's carry forward total	l	50	23
Sub-total	$n = (l + m)$	50	23
Total permissible income	$o = k + n$	24,444	23,736
Less notional general income yield	p	24,305	23,686
Catch-up or (excess) result	$q = o - p$	139	50
Carry forward to next year ⁶	$t = q + r + s$	139	50

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Bega Valley Shire Council

To the Councillors of Bega Valley Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Bega Valley Shire Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Schedule' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in cursive script, reading 'D Ryan'.

Dominika Ryan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 February 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Buildings	Buildings	55	55	617	617	70,851	83,463	7.0%	14.0%	29.0%	17.0%	33.0%
	Buildings – non-specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	55	55	617	617	70,851	83,463	7.0%	14.0%	29.0%	17.0%	33.0%
Other structures	Other structures	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	100.0%
Roads	Sealed roads	1,753	1,753	4,348	4,348	124,851	265,581	28.0%	44.0%	24.0%	2.0%	2.0%
	Unsealed roads	–	–	2,339	2,339	6,558	18,416	7.0%	40.0%	49.0%	5.0%	(1.0%)
	Bridges	525	525	410	410	83,226	169,935	30.0%	53.0%	9.0%	0.0%	8.0%
	Footpaths	1	1	112	112	3,803	8,592	78.0%	20.0%	2.0%	0.0%	0.0%
	Other road assets	2,688	2,688	658	658	23,234	8,862	23.0%	50.0%	11.0%	10.0%	6.0%
	Bulk earthworks	–	–	–	–	138,012	138,012	0.0%	15.0%	70.0%	14.0%	1.0%
	Other	–	–	–	–	17,322	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	4,967	4,967	7,867	7,867	397,006	609,398	22.2%	39.6%	30.5%	4.3%	3.4%
Water supply network	Water supply network	–	–	7,845	4,724	168,097	290,649	19.0%	61.0%	13.0%	7.0%	0.0%
	Other	–	–	11	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	7,856	4,724	168,097	290,649	19.0%	61.0%	13.0%	7.0%	0.0%
Sewerage network	Sewerage network	–	–	11,855	8,157	145,328	255,621	22.0%	48.0%	24.0%	6.0%	0.0%
	Other	–	–	–	–	(1)	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	11,855	8,157	145,327	255,621	22.0%	48.0%	24.0%	6.0%	0.0%
Stormwater drainage	Stormwater drainage	–	–	256	256	25,250	37,247	53.0%	5.0%	15.0%	5.0%	22.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	256	256	25,250	37,247	53.0%	5.0%	15.0%	5.0%	22.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring to the agreed level of service set by Council		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Open space / recreational assets	Swimming pools	2,987	2,987	1,475	1,475	3,711	12,101	3.0%	13.0%	57.0%	12.0%	15.0%
	Other	120	120	—	—	—	—	10.0%	19.0%	49.0%	19.0%	0.0%
	Other Open Space/Recreation	1,283	1,283	2,691	2,691	36,085	61,113	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total	4,390	4,390	4,166	4,166	39,796	73,214	0.5%	2.1%	9.4%	2.0%	86.0%
Other infrastructure assets	Other	—	—	—	—	4,713	27,110	0.0%	0.0%	0.0%	0.0%	100.0%
	Airport	332	332	612	612	9,737	11,030	51.0%	28.0%	15.0%	5.0%	1.0%
	Waste Infrastructure	—	—	921	921	4,931	6,061	37.0%	52.0%	11.0%	0.0%	0.0%
	Saleyards	292	292	15	15	2,203	3,648	0.0%	100.0%	0.0%	0.0%	0.0%
	Sub-total	624	624	1,548	1,548	21,584	47,849	16.4%	20.7%	4.9%	1.2%	56.8%
TOTAL - ALL ASSETS		10,036	10,036	34,165	27,335	867,911	1,397,441	20.1%	40.5%	23.2%	5.7%	10.5%

(a) Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	20,188	94.91%	—	45.40%	>=100.00%
Depreciation, amortisation and impairment	21,270				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	10,036	1.16%	0.15%	0.68%	<2.00%
Net carrying amount of infrastructure assets	867,911				
Asset maintenance ratio					
Actual asset maintenance	27,335	80.01%	80.60%	95.83%	>100.00%
Required asset maintenance	34,165				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	11,271	0.81%	—	—	
Gross replacement cost	1,397,441				

(*) All asset performance indicators are calculated using classes identified in the previous table.

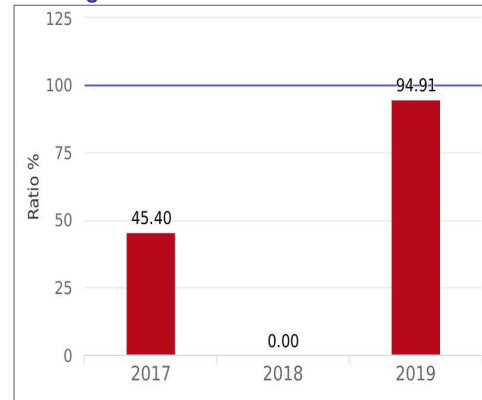
(1) Excludes Work In Progress (WIP)

(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Report on Infrastructure Assets (continued)

as at 30 June 2019

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on result

18/19 ratio 94.91%

Council continues to focus on asset maintenance but is challenged to continue to meet this ratio due to increasing demand for services. Council has been fortunate recipients of grant funding that has allowed us to continue renewing our assets.

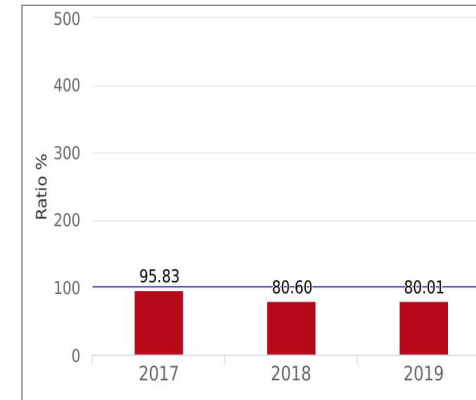
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result

18/19 ratio 80.01%

This ratio is below the benchmark. Council is limited in the funds available for maintenance, this is not an area that attracts grant funding.

Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on result

18/19 ratio 1.16%

Council backlog ratio is below the benchmark, Council needs to continue to pursue grant opportunities that has supplemented Council's funds on renewals.

Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on result

18/19 ratio 0.81%

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²	115.37%	—	46.02%	—	64.19%	—	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	1.81%	0.23%	—	—	—	—	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	100.00%	100.00%	60.13%	71.27%	68.81%	39.76%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.32%	—	—	—	—	—	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.