

Coolamon Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019



Coolamon Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
1. Statement by Councillors & Management	3
2. Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
3. Notes to the Financial Statements	9
4. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	74
On the Financial Statements (Sect 417 [3])	77

Overview

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

55 Cowabbie Street
COOLAMON NSW 2701

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.coolamon.nsw.gov.au.

Coolamon Shire Council

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:

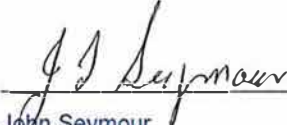
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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 19 September 2019



John Seymour
Mayor
19 September 2019



Bruce Hutcheon
Councillor
19 September 2019



Tony Donoghue
General Manager
19 September 2019



Samantha Jennings
Responsible Accounting Officer
19 September 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
3,483	Rates and annual charges	3a	3,587	3,481
3,473	User charges and fees	3b	3,806	3,571
463	Interest and investment revenue	3c	503	447
780	Other revenues	3d	753	835
6,054	Grants and contributions provided for operating purposes	3e,3f	7,010	6,529
6,047	Grants and contributions provided for capital purposes	3e,3f	2,294	2,408
<u>Other income:</u>				
145	Net gains from the disposal of assets	5	–	259
5	Net share of interests in joint ventures and associates using the equity method	14	8	6
20,450	Total income from continuing operations		17,961	17,536
Expenses from continuing operations				
5,977	Employee benefits and on-costs	4a	6,277	5,572
21	Borrowing costs	4b	16	6
3,071	Materials and contracts	4c	3,261	3,392
3,617	Depreciation and amortisation	4d	3,827	2,965
1,497	Other expenses	4e	1,583	1,518
–	Net losses from the disposal of assets	5	117	–
14,183	Total expenses from continuing operations		15,081	13,453
6,267	Operating result from continuing operations		2,880	4,083
6,267	Net operating result for the year		2,880	4,083
6,267	Net operating result attributable to council		2,880	4,083
220	Net operating result for the year before grants and contributions provided for capital purposes		586	1,675

(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 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)		2,880	4,083
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	(211)	4,380
Total items which will not be reclassified subsequently to the operating result		(211)	4,380
Total other comprehensive income for the year		(211)	4,380
Total comprehensive income for the year		2,669	8,463
Total comprehensive income attributable to Council		2,669	8,463

(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	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	2,724	2,792
Investments	6(b)	17,700	16,200
Receivables	7	1,318	896
Inventories	8	344	606
Total current assets		<u>22,086</u>	<u>20,494</u>
Non-current assets			
Inventories	8	102	102
Infrastructure, property, plant and equipment	9(a)	176,088	175,342
Investments accounted for using the equity method	14	170	162
Total non-current assets		<u>176,360</u>	<u>175,606</u>
TOTAL ASSETS		<u>198,446</u>	<u>196,100</u>
LIABILITIES			
Current liabilities			
Payables	10	8,002	8,024
Income received in advance	10	247	49
Provisions	11	1,729	1,582
Total current liabilities		<u>9,978</u>	<u>9,655</u>
Non-current liabilities			
Payables	10	2	1
Provisions	11	481	1,128
Total non-current liabilities		<u>483</u>	<u>1,129</u>
TOTAL LIABILITIES		<u>10,461</u>	<u>10,784</u>
Net assets		<u>187,985</u>	<u>185,316</u>
EQUITY			
Accumulated surplus	12a	91,822	88,942
Revaluation reserves	12a	96,163	96,374
Council equity interest		<u>187,985</u>	<u>185,316</u>
Total equity		<u>187,985</u>	<u>185,316</u>

(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		88,942	96,374	185,316	84,859	91,994	176,853
Restated opening balance		88,942	96,374	185,316	84,859	91,994	176,853
Net operating result for the year		2,880	–	2,880	4,083	–	4,083
Restated net operating result for the period		2,880	–	2,880	4,083	–	4,083
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	(211)	(211)	–	4,380	4,380
Other comprehensive income		–	(211)	(211)	–	4,380	4,380
Total comprehensive income		2,880	(211)	2,669	4,083	4,380	8,463
Equity – balance at end of the reporting period		91,822	96,163	187,985	88,942	96,374	185,316

(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>				
3,470	Rates and annual charges		3,563	3,421
3,472	User charges and fees		4,000	3,588
463	Investment and interest revenue received		408	476
12,101	Grants and contributions		9,120	8,627
–	Bonds, deposits and retention amounts received		–	1,054
779	Other		636	891
<u>Payments</u>				
(5,900)	Employee benefits and on-costs		(6,109)	(5,531)
(2,971)	Materials and contracts		(3,063)	(3,573)
–	Borrowing costs		(16)	(6)
–	Bonds, deposits and retention amounts refunded		(183)	–
(1,488)	Other		(2,251)	(1,518)
9,926	Net cash provided (or used in) operating activities	13b	6,105	7,429
Cash flows from investing activities				
<u>Receipts</u>				
1,000	Sale of investment securities		16,200	17,700
350	Sale of real estate assets		282	991
470	Sale of infrastructure, property, plant and equipment		381	662
21	Deferred debtors receipts		2	4
<u>Payments</u>				
–	Purchase of investment securities		(17,700)	(18,700)
(10,057)	Purchase of infrastructure, property, plant and equipment		(5,332)	(6,542)
(1,200)	Purchase of real estate assets		(6)	(102)
(315)	Deferred debtors and advances made		–	–
(9,731)	Net cash provided (or used in) investing activities		(6,173)	(5,987)
Cash flows from financing activities				
<u>Payments</u>				
–	Repayment of borrowings and advances		–	(2)
–	Net cash flow provided (used in) financing activities		–	(2)
195	Net increase/(decrease) in cash and cash equivalents		(68)	1,440
(1)	Plus: cash and cash equivalents – beginning of year	13a	2,792	1,352
194	Cash and cash equivalents – end of the year	13a	2,724	2,792
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	17,700	16,200
194	Total cash, cash equivalents and investments		20,424	18,992

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

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	12
2(b)	Council functions/activities – component descriptions	13
3	Income from continuing operations	14
4	Expenses from continuing operations	20
5	Gains or losses from the disposal, replacement and de-recognition of assets	24
6(a)	Cash and cash equivalent assets	25
6(b)	Investments	26
6(c)	Restricted cash, cash equivalents and investments – details	28
7	Receivables	29
8	Inventories and other assets	31
9(a)	Infrastructure, property, plant and equipment	33
9(b)	Externally restricted infrastructure, property, plant and equipment	36
10	Payables and borrowings	37
11	Provisions	39
12	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	43
13	Statement of cash flows – additional information	45
14	Interests in other entities	46
15	Commitments	49
16	Contingencies and other assets/liabilities not recognised	50
17	Financial risk management	53
18	Material budget variations	56
19	Fair Value Measurement	58
20	Related Party Transactions	63
21	Events occurring after the reporting date	65
22	Statement of developer contributions	66
23	Financial result and financial position by fund	67
24(a)	Statement of performance measures – consolidated results	69
24(b)	Statement of performance measures – by fund	70
 Additional Council disclosures (unaudited)		
24(c)	Statement of performance measures – consolidated results (graphs)	71
25	Council information and contact details	73

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 21 September 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 18 – 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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 including Allawah Lodge, Allawah Retirement Village and Coolamon Early Childhood Centre
- Domestic Waste Management Services
- Sewerage Services and
- Council's entitlements of the Riverina Regional Library.

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

- Advance Ardlethan Committee
- Beckom Hall & Community Committee
- Coolamon Showground Committee
- Advance Ganmain Committee
- Advance Marrar Committee
- Rannock Community Centre 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 not been included in these reports.

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 net 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

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).

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

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	–	–	654	603	(654)	(603)	–	–	–	–
Administration	196	499	85	–	111	499	–	–	14,443	12,636
Public Order & Safety	13	34	339	345	(326)	(311)	–	–	688	920
Health	20	22	280	288	(260)	(266)	–	–	1,029	971
Environment	896	857	1,138	822	(242)	35	47	95	4,712	4,802
Community Services & Education	1,319	1,264	1,563	1,336	(244)	(72)	189	181	1,516	1,566
Housing & Community Amenities	340	309	654	608	(314)	(299)	83	17	4,476	4,594
Sewerage Services	863	871	817	806	46	65	189	231	11,778	11,839
Recreation & Culture	1,332	608	1,603	1,241	(271)	(633)	1,242	539	13,578	12,228
Mining, Manufacture & Construction	78	83	276	234	(198)	(151)	–	–	360	194
Transport & Communication	3,194	4,185	4,392	4,110	(1,198)	75	748	1,167	123,832	123,475
Economic Affairs	3,166	2,637	3,280	3,060	(114)	(423)	373	–	21,864	22,713
Shares of gains or losses in joint venture	8	6	–	–	8	6	–	–	170	162
General Purpose Revenues	6,536	6,161	–	–	6,536	6,161	3,744	3,487	–	–
Total functions and activities	17,961	17,536	15,081	13,453	2,880	4,083	6,615	5,717	198,446	196,100

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

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

Includes corporate support and other support services, engineering works, and any Council policy compliance.

Public Order & Safety

Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

Health

Includes food control, health centres etc.

Environment

Includes noxious plants and insect/vermin control, other environmental protection, solid waste management, including domestic waste; other waste management, other sanitation, and garbage, street cleaning, drainage and stormwater management.

Community Services & Education

Includes administration and education, social protection (welfare), other community services and administration, youth services, aged and disabled persons services, children's services, including family day care, child care, and other family and children services.

Housing & Community Amenities

Includes public cemeteries, public conveniences, street lighting, town planning, other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

Sewerage Services

Includes the provision of reticulated sewerage and common effluent services.

Recreation & Culture

Includes public libraries, museums, community centres and halls, including public halls, sporting grounds, swimming pools, parks, gardens, and other sporting, recreational and cultural services.

Mining, Manufacture & Construction

Includes building control, quarries and pits.

Transport & Communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, and parking areas.

Economic Affairs

Includes camping areas and caravan parks, tourism and area promotion; industrial development promotion, real estate development, and other business undertakings.

Shares of gains or losses in joint venture

Council's net gain or losses relating to the participation in the Riverina Regional Library.

General Purpose Revenues

General Purpose Revenues include Financial Assistance Grant, Land Rates, Untied Pensioner Concession Subsidy, untied Interest on Investments and untied Extra Charges levied on Land Rates.

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	666	652
Farmland	1,622	1,585
Business	92	90
Less: pensioner rebates (mandatory)	(52)	(53)
Rates levied to ratepayers	2,328	2,274
Pensioner rate subsidies received	29	28
Total ordinary rates	2,357	2,302
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	529	509
Stormwater management services	45	46
Sewerage services	572	540
Waste management services (non-domestic)	14	12
Less: pensioner rebates (mandatory)	(67)	(66)
Tip access	100	103
Annual charges levied	1,193	1,144
Pensioner subsidies received:		
– Sewerage	13	12
– Domestic waste management	24	23
Total annual charges	1,230	1,179
TOTAL RATES AND ANNUAL CHARGES	3,587	3,481

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Ardlethan effluent	9	8
Total specific user charges	9	8
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	46	46
Inspection services	33	29
Private works – section 67	165	157
Regulatory and statutory fees	6	7
Section 10.7 certificates (EP&A Act)	9	12
Section 603 certificates	10	14
Town planning	48	60
Total fees and charges – statutory/regulatory	317	325
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aged care	2,210	2,022
Caravan park	42	30
Cemeteries	74	108
Child care	558	585
Waste disposal tipping fees	40	40
Allawah Community Care inc. Community Transport	285	283
Home care packages	254	154
Other	17	16
Total fees and charges – other	3,480	3,238
TOTAL USER CHARGES AND FEES	3,806	3,571

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	21	19
– Cash and investments	482	428
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>503</u>	<u>447</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	15	19
General Council cash and investments	200	152
Restricted investments/funds – external:		
Sewerage fund operations	55	51
Domestic waste management operations	28	30
Restricted investments/funds – internal:		
Internally restricted assets	205	195
Total interest and investment revenue	<u>503</u>	<u>447</u>

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

Rental income – other council properties	361	341
Legal fees recovery – rates and charges (extra charges)	15	11
Commissions and agency fees	6	8
Diesel rebate	49	56
Insurance claims recoveries	7	50
Allawah Lodge & Allawah Retirement Village	154	236
Insurance incentives	34	29
Zone rural fire service administration	29	29
SCCF Community Projects Administration	16	–
NYE Fest Income	9	–
Other	73	75
<u>TOTAL OTHER REVENUE</u>	<u>753</u>	<u>835</u>

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.

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.

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
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	1,838	1,721	–	–
Payment in advance - future year allocation				
Financial assistance	1,906	1,766	–	–
Total general purpose	3,744	3,487	–	–
Specific purpose				
Sewerage services	189	231	–	–
Child care	32	38	–	–
Heritage and cultural	47	8	–	–
Library	31	31	–	–
Noxious weeds	47	46	–	–
Recreation and culture	–	–	46	246
Street lighting	17	17	–	–
Transport (roads to recovery)	748	1,153	–	–
Ardlethan preschool	153	135	–	–
Organics Grant	–	49	–	–
Stronger Country Communities	601	–	506	254
Aged Care Regional, Rural & Remote Infrastructure	–	–	373	–
Other	70	22	11	–
Total specific purpose	1,935	1,730	936	500
Total grants	5,679	5,217	936	500
Grant revenue is attributable to:				
– Commonwealth funding	4,524	4,678	430	246
– State funding	1,151	517	506	254
– Other funding	4	22	–	–
	5,679	5,217	936	500

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
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	42	11
Total developer contributions – cash		<u>–</u>	<u>–</u>	<u>42</u>	<u>11</u>
Total developer contributions	22	<u>–</u>	<u>–</u>	<u>42</u>	<u>11</u>
Other contributions:					
Cash contributions					
Bushfire services		–	20	–	–
Recreation and culture		2	24	30	12
RMS contributions (regional roads, block grant)		1,156	1,132	1,231	1,554
Sewerage (excl. section 64 contributions)		–	–	42	35
Child care		9	37	–	–
Regional Biodiversity Officer		113	–	–	–
Other		51	99	13	–
Total other contributions – cash		<u>1,331</u>	<u>1,312</u>	<u>1,316</u>	<u>1,601</u>
Non-cash contributions					
Dedications – subdivisions (other than by s7.11)		–	–	–	296
Total other contributions – non-cash		<u>–</u>	<u>–</u>	<u>–</u>	<u>296</u>
Total other contributions		<u>1,331</u>	<u>1,312</u>	<u>1,316</u>	<u>1,897</u>
Total contributions		<u>1,331</u>	<u>1,312</u>	<u>1,358</u>	<u>1,908</u>
TOTAL GRANTS AND CONTRIBUTIONS		<u>7,010</u>	<u>6,529</u>	<u>2,294</u>	<u>2,408</u>

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(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	31	122
Add: operating grants recognised in the current period but not yet spent	–	27
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(31)	(118)
Unexpended and held as restricted assets (operating grants)	<u>–</u>	<u>31</u>
Capital grants		
Unexpended at the close of the previous reporting period	254	–
Add: capital grants recognised in the current period but not yet spent	77	254
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	(254)	–
Unexpended and held as restricted assets (capital grants)	<u>77</u>	<u>254</u>
Contributions		
Unexpended at the close of the previous reporting period	12	–
Add: contributions recognised in the current period but not yet spent	–	12
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	(12)	–
Unexpended and held as restricted assets (contributions)	<u>–</u>	<u>12</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	5,001	4,742
Travel expenses	66	2
Employee leave entitlements (ELE)	970	909
Superannuation	553	513
Workers' compensation insurance	153	119
Fringe benefit tax (FBT)	117	96
Training costs (other than salaries and wages)	83	114
Other	15	22
Total employee costs	6,958	6,517
Less: capitalised costs	(681)	(945)
TOTAL EMPLOYEE COSTS EXPENSED	6,277	5,572
Number of 'full-time equivalent' employees (FTE) at year end	75	74

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 16 for more information.

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

Interest on advances	16	6
Total interest bearing liability costs expensed	16	6

(ii) Other borrowing costs

Fair value adjustments on recognition of advances and deferred debtors	—	—
Total other borrowing costs	—	—

TOTAL BORROWING COSTS EXPENSED	16	6
---------------------------------------	-----------	----------

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	2,832	2,770
Contractor and consultancy costs	345	520
Auditors remuneration ²	32	26
Legal expenses:		
– Legal expenses: planning and development	26	19
– Legal expenses: debt recovery	18	11
– Legal expenses: other	8	46
Total materials and contracts	<u>3,261</u>	<u>3,392</u>
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>3,261</u>	<u>3,392</u>

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	28	26
Remuneration for audit and other assurance services	<u>28</u>	<u>26</u>

Total Auditor-General remuneration

	<u>28</u>	<u>26</u>
--	-----------	-----------

Non NSW Auditor-General audit firms**(ii) Non-assurance services**

Other services	4	–
Remuneration for non-assurance services	<u>4</u>	<u>–</u>

Total remuneration of non NSW Auditor-General audit firms

	<u>4</u>	<u>–</u>
--	----------	----------

Total Auditor remuneration

	<u>32</u>	<u>26</u>
--	-----------	-----------

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		515	449
Office equipment		44	48
Land improvements (depreciable)		20	18
Infrastructure:			
– Buildings – non-specialised		49	202
– Buildings – specialised		953	197
– Other structures		141	102
– Roads		1,967	1,852
– Bridges		33	33
– Footpaths		29	29
– Stormwater drainage		39	39
– Sewerage network		206	221
– Swimming pools		63	28
Reinstatement, rehabilitation and restoration assets:			
– Quarry assets	9(a),11	18	18
Total gross depreciation and amortisation costs		<u>4,077</u>	<u>3,236</u>
Less: capitalised costs		(250)	(271)
Total depreciation and amortisation costs		<u>3,827</u>	<u>2,965</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		<u>3,827</u>	<u>2,965</u>

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	27	37
Bad and doubtful debts	22	21
Bank charges	21	22
Computer / office equipment maintenance	155	164
Contributions/levies to other levels of government		
– NSW State Emergency Service Levy	6	7
– NSW Fire & Rescue Levy	17	17
– NSW Rural Fire Service levy	165	170
– Riverina Regional Library	100	96
Councillor expenses – mayoral fee	14	13
Councillor expenses – councillors' fees	80	79
Councillors' expenses (incl. mayor) – other (excluding fees above)	9	10
Donations, contributions and assistance to other organisations (Section 356)	18	9
Donations, contributions and assistance to other organisations (Section 356) – REROC	19	18
Electricity and heating	156	141
Insurance	265	253
Postage	22	18
Printing and stationery	39	47
Street lighting	90	64
Subscriptions and publications	95	65
Telephone and communications	49	59
Valuation fees	24	23
Water charges	190	185
Total other expenses	1,583	1,518
TOTAL OTHER EXPENSES	1,583	1,518

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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		173	259
Less: carrying amount of property assets sold/written off		(310)	(356)
Net gain/(loss) on disposal		(137)	(97)
Plant and equipment			
	9(a)		
Proceeds from disposal – plant and equipment		208	403
Less: carrying amount of plant and equipment assets sold/written off		(150)	(209)
Net gain/(loss) on disposal		58	194
Real estate assets held for sale			
	8		
Proceeds from disposal – real estate assets		282	991
Less: carrying amount of real estate assets sold/written off		(232)	(802)
Net gain/(loss) on disposal		50	189
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		16,200	17,700
Less: carrying amount of investments sold/redeemed/matured		(16,200)	(17,700)
Net gain/(loss) on disposal		–	–
Other (Other Structures & Sewerage Assets)			
Less: carrying amount of Other Structures & Sewerage assets sold/written off		(88)	(27)
Net gain/(loss) on disposal		(88)	(27)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(117)	259

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	2,724	2,792
Total cash and cash equivalents	2,724	2,792

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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'				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	17,700	–	16,200	–
Total Investments	<u>17,700</u>	<u>–</u>	<u>16,200</u>	<u>–</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	<u>20,424</u>	<u>–</u>	<u>18,992</u>	<u>–</u>
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	17,700	–	16,200	–
Total	<u>17,700</u>	<u>–</u>	<u>16,200</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.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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.

(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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	20,424	–	18,992	–
attributable to:				
External restrictions	11,037	–	11,439	–
Internal restrictions	9,085	–	7,519	–
Unrestricted	302	–	34	–
	20,424	–	18,992	–

\$ '000	2019	2018
---------	------	------

Details of restrictions

External restrictions – included in liabilities

Allawah Lodge Accommodation Bonds & Payments	4,097	4,049
Allawah Village Loan Licence	3,458	3,689
External restrictions – included in liabilities	7,555	7,738

External restrictions – other

Developer contributions – general	7	3
Specific purpose unexpended grants	77	285
Sewerage services	2,099	2,044
Domestic waste management	768	1,107
Stormwater management	93	–
Other	438	262
External restrictions – other	3,482	3,701

Total external restrictions

11,037	11,439
---------------	---------------

Internal restrictions

Plant and vehicle replacement	1,000	1,000
Employees leave entitlement	1,260	1,160
Carry over works	402	196
Ardlethan Preschool	67	47
Asset management/replacement	4,307	3,176
Financial Assistance Grant Advance	1,906	1,766
Swimming pools	15	–
Rehabilitation of gravel pits	128	162
Marrar CWA – Park Upgrade	–	12
Total internal restrictions	9,085	7,519

TOTAL RESTRICTIONS

20,122	18,958
---------------	---------------

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	325	–	288	–
Interest and extra charges	96	–	82	–
Private works	37	–	33	–
Accrued revenues				
– Interest on investments	252	–	162	–
– Other income accruals	1	–	20	–
Accommodation Bonds/Payments	2	–	3	–
Allawah Community Care fees	9	–	5	–
Cemetery	8	–	7	–
Deferred debtors	8	–	10	–
Government grants and subsidies	616	–	432	–
Sewerage connections	9	–	9	–
Other debtors	146	–	14	–
Total	1,509	–	1,065	–
Less: provision of impairment				
Rates and annual charges	(129)	–	(116)	–
Interest and extra charges	(62)	–	(53)	–
Total provision for impairment – receivables	(191)	–	(169)	–
TOTAL NET RECEIVABLES	1,318	–	896	–
Externally restricted receivables				
Sewerage services				
– Rates and availability charges	42	–	37	–
– Other	9	–	9	–
Domestic waste management	44	–	–	–
Total external restrictions	95	–	46	–
Internally restricted receivables				
– Internal restricted receivables (Coolamon Early Childhood Centre & Allawah Complex)	4	–	–	–
Internally restricted receivables	4	–	–	–
Unrestricted receivables	1,219	–	850	–
TOTAL NET RECEIVABLES	1,318	–	896	–

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	169	147
+ new provisions recognised during the year	22	22
Balance at the end of the period	191	169

Accounting policy for receivables

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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.

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.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

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				
Real estate for resale	290	102	516	102
Stores and materials	54	–	90	–
Total inventories at cost	<u>344</u>	<u>102</u>	<u>606</u>	<u>102</u>
<u>TOTAL INVENTORIES</u>	<u>344</u>	<u>102</u>	<u>606</u>	<u>102</u>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	344	102	606	102
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>344</u>	<u>102</u>	<u>606</u>	<u>102</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		290	102	516	102
Total real estate for resale		290	102	516	102
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		31	72	56	72
Development costs		259	30	460	30
Total costs		290	102	516	102
Total real estate for resale		290	102	516	102
Movements:					
Real estate assets at beginning of the year		516	102	1,316	2
– Purchases and other costs		6	–	2	–
– WDV of sales (expense)	5	(232)	–	(802)	–
– Transfer between current/non-current		–	–	–	102
– Other		–	–	–	(2)
Total real estate for resale		290	102	516	102

(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
	–	–

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

	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	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	337	–	337	127	129	–	–	–	(94)	–	–	–	499	–	499
Plant and equipment	5,282	(2,767)	2,515	456	270	–	(150)	(515)	–	–	–	–	5,640	(3,064)	2,576
Office equipment	693	(457)	236	20	–	–	–	(44)	48	–	–	–	761	(501)	260
Land:															
– Operational land	4,165	–	4,165	–	–	–	(122)	–	–	–	–	–	4,043	–	4,043
– Community land	1,617	–	1,617	–	–	–	–	–	–	–	–	73	1,690	–	1,690
Land improvements – depreciable	640	(231)	409	–	–	–	–	(20)	–	(1)	(186)	–	285	(83)	202
Infrastructure:															
– Buildings – non-specialised	1,878	(219)	1,659	–	–	–	(171)	(49)	–	–	–	–	1,688	(249)	1,439
– Buildings – specialised	41,157	(17,477)	23,680	303	92	–	(17)	(953)	7	1	–	–	41,540	(18,427)	23,113
– Other structures	6,034	(2,354)	3,680	496	–	–	(77)	(141)	23	(2)	(386)	–	4,397	(804)	3,593
– Roads	77,463	(14,529)	62,934	2,631	–	444	–	(1,967)	–	(1)	(4,395)	–	72,092	(12,446)	59,646
– Bridges	2,601	(828)	1,773	336	–	–	–	(33)	16	–	–	14	2,718	(612)	2,106
– Footpaths	2,326	(305)	2,021	172	–	–	–	(29)	–	–	–	80	2,606	(362)	2,244
– Bulk earthworks (non-depreciable)	56,500	–	56,500	–	–	–	–	–	–	–	–	2,697	59,197	–	59,197
– Stormwater drainage	3,934	(622)	3,312	29	–	–	–	(39)	–	1	(255)	–	3,700	(652)	3,048
– Sewerage network	15,775	(6,490)	9,285	77	–	–	(11)	(206)	–	1	–	–	15,830	(6,684)	9,146
– Swimming pools	3,801	(2,775)	1,026	–	–	–	–	(63)	–	–	–	1,963	4,301	(1,375)	2,926
Reinstatement, rehabilitation and restoration assets (refer Note 14):															
– Quarry assets	440	(247)	193	–	–	–	–	(18)	–	1	–	184	385	(25)	360
Total Infrastructure, property, plant and equipment	224,643	(49,301)	175,342	4,647	491	444	(548)	(4,077)	–	–	(5,222)	5,011	221,372	(45,284)	176,088

(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 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	459	–	459	32	250	–	–	–	(404)	–	–	–	337	–	337
Plant and equipment	5,352	(3,269)	2,083	1,029	61	–	(209)	(449)	–	–	–	–	5,282	(2,767)	2,515
Office equipment	671	(408)	263	–	21	–	–	(48)	–	–	–	–	693	(457)	236
Land:															
– Operational land	2,798	–	2,798	–	–	–	(78)	–	–	–	–	1,445	4,165	–	4,165
– Community land	1,617	–	1,617	–	–	–	–	–	–	–	–	–	1,617	–	1,617
Land improvements – depreciable	640	(213)	427	–	–	–	–	(18)	–	–	–	–	640	(231)	409
Infrastructure:															
– Buildings – non-specialised	19,987	(6,668)	13,319	–	409	–	(275)	(202)	81	(11,687)	–	14	1,878	(219)	1,659
– Buildings – specialised	16,468	(7,998)	8,470	608	58	–	–	(197)	71	11,687	–	2,983	41,157	(17,477)	23,680
– Other structures	5,445	(2,298)	3,147	415	8	–	(30)	(102)	242	–	–	–	6,034	(2,354)	3,680
– Roads	74,379	(13,647)	60,732	2,877	207	970	–	(1,852)	–	–	–	–	77,463	(14,529)	62,934
– Bridges	2,601	(795)	1,806	–	–	–	–	(33)	–	–	–	–	2,601	(828)	1,773
– Footpaths	2,303	(276)	2,027	11	12	–	–	(29)	–	–	–	–	2,326	(305)	2,021
– Bulk earthworks (non-depreciable)	56,411	–	56,411	–	89	–	–	–	–	–	–	–	56,500	–	56,500
– Stormwater drainage	3,890	(584)	3,306	45	–	–	–	(39)	–	–	–	–	3,934	(622)	3,312
– Sewerage network	15,348	(5,797)	9,551	–	7	–	–	(221)	10	–	(62)	–	15,775	(6,490)	9,285
– Swimming pools	3,801	(2,747)	1,054	–	–	–	–	(28)	–	–	–	–	3,801	(2,775)	1,026
Reinstatement, rehabilitation and restoration assets (refer Note 14):															
– Quarry assets	440	(229)	211	–	–	–	–	(18)	–	–	–	–	440	(247)	193
Total Infrastructure, property, plant and equipment	212,610	(44,929)	167,681	5,017	1,122	970	(592)	(3,236)	–	–	(62)	4,442	224,643	(49,301)	175,342

(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)

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.

Sewerage network assets have not been 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:

Reticulation pipes: other

15 to 20

15

Plant and equipment

Office equipment

Years

5 to 10

Other equipment

Years

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 10

Buildings: masonry

50 to 100

Other plant and equipment

5 to 10

Buildings: other

20 to 40

Sewer assets

Dams and reservoirs

80 to 100

Other infrastructure assets

Swimming pools

30 to 60

Reticulation pipes: PVC

62 to 70

Reticulation pipes: other

40 to 44

Transportation assets

Pumps and telemetry

25 to 50

Sealed roads: surface

20 to 25

Sealed roads: structure

60 to 50

Unsealed roads

15

Stormwater assets

Drains

80 to 100

Bridge: concrete

80

Culverts

50 to 80

Kerb, gutter and footpaths

80

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.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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 legislation changed, Council will not recognise Rural Fire Service assets including buildings and plant and vehicles, except those buildings located on Council owned or controlled land.

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
Sewerage services						
WIP	64	–	64	–	–	–
Plant and equipment	61	5	56	60	1	59
Land						
– Operational land	261	–	261	261	–	261
Buildings	59	25	34	59	24	35
Other structures	71	4	67	217	109	108
Infrastructure	15,830	6,684	9,146	15,775	6,490	9,285
Total sewerage services	16,346	6,718	9,628	16,372	6,624	9,748
Domestic waste management						
Plant and equipment	283	27	256	13	3	10
Land						
– Operational land	78	–	78	78	–	78
Buildings	376	95	281	330	89	241
Other structures	339	102	237	196	182	14
Total DWM	1,076	224	852	617	274	343
<u>TOTAL RESTRICTED I,PP&E</u>	17,422	6,942	10,480	16,989	6,898	10,091

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	447	2	286	1
Accrued expenses:				
Security bonds, deposits and retentions	7,555	–	7,738	–
Total payables	8,002	2	8,024	1
Income received in advance				
Payments received in advance	247	–	49	–
Total income received in advance	247	–	49	–
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>8,249</u>	<u>2</u>	<u>8,073</u>	<u>1</u>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Accommodation Payments/Loan Licences	7,555	–	7,738	–
Payables and borrowings relating to externally restricted assets	7,555	–	7,738	–
Total payables and borrowings relating to restricted assets	7,555	–	7,738	–
Total payables and borrowings relating to unrestricted assets	694	2	335	1
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>8,249</u>	<u>2</u>	<u>8,073</u>	<u>1</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

\$ '000	2019	2018
---------	------	------

(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.

Payables – security bonds, deposits and retentions	7,427	7,607
Total payables and borrowings	7,427	7,607

(c) Changes in liabilities arising from financing activities

Nil

\$ '000	as at 30/6/2017					as at 30/6/2018	
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance	
Loan – unsecured	2	(2)	–	–	–	–	
TOTAL	2	(2)	–	–	–	–	

\$ '000	2019	2018
---------	------	------

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

Credit cards/purchase cards	30	30
Total financing arrangements	30	30

Undrawn facilities as at balance date:

– Credit cards/purchase cards	30	30
Total undrawn financing arrangements	30	30

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.

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	615	–	574	–
Long service leave	1,104	96	992	75
Other leave (RDO/TIL)	10	–	16	–
Sub-total – aggregate employee benefits	1,729	96	1,582	75
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	385	–	1,053
Sub-total – asset remediation/restoration	–	385	–	1,053
TOTAL PROVISIONS	1,729	481	1,582	1,128

(a) Provisions relating to restricted assets

Internally restricted assets				
Other (Employees Leave Entitlements)	1,260	–	1,160	–
Other (Gravel Pit Rehabilitation)	128	–	162	–
Provisions relating to internally restricted assets	1,388	–	1,322	–
Total provisions relating to restricted assets	1,388	–	1,322	–
Total provisions relating to unrestricted assets	341	481	260	1,128
TOTAL PROVISIONS	1,729	481	1,582	1,128

\$ '000	2019	2018
---------	------	------

(b) 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	1,104	992
	1,104	992

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

(c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2019				
At beginning of year	574	1,067	16	1,657
Other	41	133	(6)	168
Total ELE provisions at end of period	615	1,200	10	1,825
2018				
At beginning of year	532	1,069	15	1,616
Additional provisions	(311)	(201)	(4)	(516)
Amounts used (payments)	353	199	5	557
Total ELE provisions at end of period	574	1,067	16	1,657

\$ '000	Other provisions		Total
	Asset remediation		
2019			
At beginning of year		1,053	1,053
Other		(668)	(668)
Total other provisions at end of period		385	385
2018			
At beginning of year		1,053	1,053
Total other provisions at end of period		1,053	1,053

Nature and purpose of non-employee benefit provisions

Gravel Pit Remediation

Council has a legal/public obligation to make good, restore, rehabilitate and reinstate the council operated quarries.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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.

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,

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

Note 11. Provisions (continued)

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.

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

Council made no correction of errors during the current reporting period.

(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 2018. 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.

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

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).

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)

(d) Changes in accounting policies due to adoption of new accounting standards (retrospective)

Council made no changes in accounting policies due to adoption of new accounting standards – retrospective

(e) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

(f) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	2,724	2,792
Balance as per the Statement of Cash Flows		2,724	2,792
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		2,880	4,083
Adjust for non-cash items:			
Depreciation and amortisation		3,827	2,965
Net losses/(gains) on disposal of assets		117	(259)
Non-cash capital grants and contributions		–	(296)
Share of net (profits)/losses of associates/joint ventures using the equity method		(8)	(6)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(446)	21
Increase/(decrease) in provision for impairment of receivables		22	22
Decrease/(increase) in inventories		36	(23)
Increase/(decrease) in payables		162	(158)
Increase/(decrease) in other liabilities		15	1,039
Increase/(decrease) in provision for employee benefits		168	41
Increase/(decrease) in other provisions		(668)	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		6,105	7,429
(c) Non-cash investing and financing activities			
Other dedications		–	296
Total non-cash investing and financing activities		–	296

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	8	6	170	162
Total	8	6	170	162

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint arrangements

(i) Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

	Nature of relationship	Measurement method	2019	2018
Riverina Regional Library	Joint venture	Equity method	170	162
Total carrying amounts – material joint ventures			170	162

(b) Details

	Principal activity	Place of business
Riverina Regional Library	Provision of library services	Riverina

(c) Relevant interests and fair values

	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
Riverina Regional Library	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities (continued)

	Riverina Regional Library	
	2019	2018
(d) Summarised financial information for joint ventures		
Statement of financial position		
Current assets		
Cash and cash equivalents	2,651	2,275
Other current assets	26	17
Non-current assets	2,742	2,816
Current liabilities		
Other current liabilities	939	853
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	3	2
Net assets	4,477	4,253
Reconciliation of the carrying amount		
Opening net assets (1 July)	4,253	4,101
Profit/(loss) for the period	224	152
Closing net assets	4,477	4,253
Council's share of net assets (%)	3.8%	3.8%
Council's share of net assets (\$)	170	162
Statement of comprehensive income		
Income	2,954	2,876
Interest income	26	25
Depreciation and amortisation	(828)	(781)
Other expenses	(1,928)	(1,968)
Profit/(loss) from continuing operations	224	152
Profit/(loss) for the period	224	152
Total comprehensive income	224	152
Share of income – Council (%)	3.8%	3.8%
Profit/(loss) – Council (\$)	8	6
Total comprehensive income – Council (\$)	8	6
Summarised Statement of cash flows		
Cash flows from operating activities	1,137	753
Cash flows from investing activities	(760)	(736)
Net increase (decrease) in cash and cash equivalents	377	17

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities (continued)

(c) Associates

Council has no interest in any associates.

(d) Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(e) Subsidiaries, joint arrangements and associates not recognised

Council has not recognised the following

Goldenfields Water County Council

Council is a member of the Goldenfields Water County Council, a body corporate established under the Local Government Act 1993 (NSW) responsible for the water supply functions within the Local Government Areas of Bland, Coolamon, Junee, Temora and parts of Cootamundra-Gundagai, Hilltops and Narrandera. Council does not have control or a significant influence over the County Council and accordingly the County Council has not been consolidated in the financial statements.

Riverina Joint Organisation

Council is a member of the Riverina Joint Organisation, established under the Local Government Act 1993 (NSW) together with the Bland Shire, Cootamundra-Gundagai Regional, Greater Hume Shire, Junee Shire, Temora Shire & Lockhart Shire Councils. Council does not have control or a significant influence over the joint organisation and accordingly the joint organisation has not been consolidated in the financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Plant and equipment	296	59
Sewer Infrastructure	3,316	89
Investment property		
– Buildings	113	–
– Other	45	–
Total commitments	3,770	148
These expenditures are payable as follows:		
Within the next year	3,770	148
Total payable	3,770	148
Sources for funding of capital commitments:		
Unrestricted general funds	118	36
Future grants and contributions	2,710	98
Externally restricted reserves	662	14
Internally restricted reserves	280	–
Total sources of funding	3,770	148

Details of capital commitments

Council's capital commitments include contracts for the construction of the Ardlethan Sewerage Reticulation, Ardlethan Sewerage Treatment Works and the provision of a pump station for the Ardlethan Sewerage Scheme. Council had on order a loader at year's end and had a number of buildings projects underway including alterations to the Council Chambers and the construction of new toilets at the Beckom Hall.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. 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.
- 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
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 \$40.0 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to 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 \$39,506.03. 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

Council's expected contribution to the plan for the next annual reporting period is \$39,935.96.

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.

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk.

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 Council.

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

Financial risk management is undertaken by Council's finance section under policies approved by Council.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

(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 1% movement in interest rates	198	198	(198)	(198)
2018				
Possible impact of a 1% movement in interest rates	173	173	(173)	(173)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(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. Council also encourages ratepayers to pay their rates by the due date through incentives.

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.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required.

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	–	68	29	61	167	325
2018						
Gross carrying amount	–	46	52	95	95	288

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	904	37	–	1	241	1,183
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	5.00%	1.02%
ECL provision	–	–	–	–	12	12
2018						
Gross carrying amount	424	16	3	4	330	777
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(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 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:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	7,555	–	–	–	7,555	8,004
Total financial liabilities		7,555	–	–	–	7,555	8,004
2018							
Trade/other payables	0.00%	7,738	130	340	127	8,335	8,025
Total financial liabilities		7,738	130	340	127	8,335	8,025

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 21/06/2018 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	3,483	3,587	104	3% F
User charges and fees	3,473	3,806	333	10% F
Council experienced a \$150,000 favourable variance relating to User Charges & Fees for Allawah Lodge and a \$132,000 favourable variance in relation to Private Works.				
Interest and investment revenue	463	503	40	9% F
Other revenues	780	753	(27)	(3)% U
Operating grants and contributions	6,054	7,010	956	16% F
Council experienced the following favourable variances when compared to the original budget:				
an additional \$337,000 received in Financial Assistance Grant funding				
an additional \$69,000 in Stronger Country Communities Fund revenue				
an additional \$176,000 Roads to Recovery funding				
an additional \$189,000 funding relating to the Ardlethan Sewerage Scheme, and				
an additional \$21,000 in funding for the Ardlethan Preschool				
Capital grants and contributions	6,047	2,294	(3,753)	(62)% U
Council did not receive the \$2,840,000 budgeted in relation to the Ardlethan Sewerage Scheme due to delays in the commencement of the project. Council also experienced unfavourable variances when compared to the original budget in relation to the following:				
\$69,000 in Developer Contributions,				
\$111,000 relating to an unsuccessful grant application to the PRMFP Fund and				
\$800,000 relating to an unsuccessful grant application to the Growing Local Economies Fund.				
Net gains from disposal of assets	145	-	(145)	100% U
See variance explanation detailed for Net losses from disposal of assets.				
Joint ventures and associates – net profits	5	8	3	60% F

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	5,977	6,277	(300)	(5)% U
Borrowing costs	21	16	5	24% F
Materials and contracts	3,071	3,261	(190)	(6)% U
Depreciation and amortisation	3,617	3,827	(210)	(6)% U
Other expenses	1,497	1,583	(86)	(6)% U
Net losses from disposal of assets	-	117	(117)	∞ U

Following the ongoing review of the provision for Gravel Pit Restoration, Council did not expense the budgeted finance cost for gravel pit rehabilitation.

Council experienced an unfavourable variance relating to the Net gain on the sale of assets as a result of a number of recreational assets (parks & gardens equipment) being written off as they were replaced as a result of the funding received under the Stronger Country Communities Fund. Council was also required to write off Operational Land amounting to \$116,000 following a successful Aboriginal Land Claim on part of a Crown Reserve that Council controls.

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	9,926	6,105	(3,821)	(38)% U
Net cash provided from (used in) investing activities	(9,731)	(6,173)	3,558	(37)% F

The unfavourable variance from operating activities is mainly attributable to capital funding that was included in Council's budget that was not received during the financial year including \$2,840,000 for the Ardlethan Sewerage, \$111,000 for an unsuccessful grant application to the PRMFP fund and \$800,000 for an unsuccessful application to the Growing Local Economies Fund.

The delay in commencement of construction for the Ardlethan Sewerage Scheme is the main contributor to the favourable variance experienced in Investing activities, together with the deferral of the two projects that were to be funded by the PRMFP and Growing Local Economies funds.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

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.

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	Date of latest valuation	Fair value measurement hierarchy			Total
			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)					
Plant and equipment		30/06/19	–	–	2,576	2,576
Office furniture		30/06/19	–	–	260	260
Operational land		30/06/18	–	4,043	–	4,043
Community land		30/06/19	–	–	1,690	1,690
Land improvements		30/06/19	–	–	202	202
Buildings – non-specialised		30/06/18	–	1,439	–	1,439
Buildings – specialised		30/06/18	–	–	23,113	23,113
Other structures		30/06/19	–	–	3,593	3,593
Roads, bridge and footpaths		30/06/19	–	–	63,996	63,996
Bulk earthworks		30/06/19	–	–	59,197	59,197
Stormwater drainage		30/06/19	–	–	3,048	3,048
Sewerage network		30/06/18	–	–	9,146	9,146
Swimming pools		30/06/19	–	–	2,926	2,926
Quarry Assets		30/06/19	–	–	360	360
Total infrastructure, property, plant and equipment			–	5,482	170,107	175,589

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			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)					
Plant and equipment		30/06/18	–	–	2,515	2,515
Office furniture		30/06/18	–	–	236	236
Operational land		30/06/18	–	4,165	–	4,165
Community land		30/06/16	–	–	1,617	1,617
Land improvements		30/06/18	–	–	409	409
Buildings – non-specialised		30/06/18	–	1,659	–	1,659
Buildings – specialised		30/06/18	–	–	23,680	23,680
Other structures		30/06/18	–	–	3,680	3,680
Roads, bridge and footpaths		30/06/15	–	–	66,728	66,728
Bulk earthworks		30/06/15	–	–	56,500	56,500
Stormwater drainage		30/06/15	–	–	3,312	3,312
Sewerage network		30/06/18	–	–	9,285	9,285
Swimming pools		30/06/18	–	–	1,026	1,026
Quarry Assets		30/06/18	–	–	193	193
Total infrastructure, property, plant and equipment			–	5,824	169,181	175,005

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

(2) 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)

Roads Infrastructure

This asset class comprises the road surface and pavement, bridges, drainage, kerb & gutter and footpaths. The cost approach was adopted to value these assets based on assessments and calculations from a condition assessment done in house as part of the valuation project undertaken in 2018/2019. Assets have been componentised and a full review of condition, useful lives and unit rates was undertaken. Key inputs such as estimated pattern of consumption, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

Stormwater Drainage Infrastructure

This asset class comprises the pits, pipes, open channels and headwalls. The cost approach was adopted to value these assets based on assessments and calculations from a condition assessment done in house as part of the valuation project undertaken in 2018/2019. Assets have been componentised and a full review of condition, useful lives and unit rates was undertaken. Key inputs such as estimated pattern of consumption, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

Sewerage Infrastructure

This asset class comprises the treatment works, pumping station, sewerage mains and effluent reuse. The cost approach was adopted to value these assets based on assessments and calculations from condition assessments done in house as part of the valuation project undertaken in 2017/2018. Assets have been componentised and a full review of condition, useful lives and unit rates was undertaken. Key inputs such as estimated pattern of consumption, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value. The valuation process was performed in house as compared to being undertaken by consultants in the past. There has been no change to the valuation process during the period.

Community Land

This asset class comprises all of Council's land classified as Community Land under the NSW Local Government Act 1993. Council has used the Valuer General's Unimproved Capital Land Value (UCV) as the fair value as at 30 June 2016.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. Council engaged AssetVal to value all of its operational land with an effective date of 30/06/2018. There has been no change to the valuation process during the period.

Buildings - Specialised & Non-Specialised

This asset class comprises all of Council's buildings, both specialised and non-specialised. Council engaged AssetVal to value all of its buildings with an effective date of 30/06/18. The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost allowing for professional fees, demolition, removal of debris and escalation in costs. Inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the period.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

(3) Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

\$ '000		Total IPP&E (Note 10a)
2018		
Opening balance		151,105
Transfers from/(to) level 2 FV hierarchy	19 3(b)	11,687
Purchases (GBV)		6,741
Disposals (WDV)		(239)
Depreciation and impairment		(3,034)
FV gains – other comprehensive income		2,921
Closing balance		169,181
2019		
Opening balance		169,181
Purchases (GBV)		4,976
Disposals (WDV)		(255)
Depreciation and impairment		(4,028)
FV gains – other comprehensive income		233
Closing balance		170,107

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

Following the revaluation of Building Assets by AssetVal in 2017/2018, a number of buildings that had previously been identified as Level 2 were reclassified as Level 3 due to the lack of a fair value market. These included Allawah Lodge, Allawah Retirement Village and the Coolamon Early Childhood Centre.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.		
Infrastructure, property, plant and equipment		
PP&E & Office Equipment	Cost used to approximate fair value (In House)	Gross replacement cost, useful life and residual value
Community Land	Land values obtained by the NSW Valuer General (In House)	Land value, land area
Land Improvements	Cost used to approximate fair value (In House)	Asset condition, remaining lives and residual value
Specialised Buildings	Unit rates (External Valuer)	Asset condition, remaining lives and residual value
Other Structures	Cost used to approximate fair value (In House)	Asset condition, remaining lives and residual value
Roads, Bridges, Footpaths & Bulk Earthworks	Unit rates (In House)	Asset condition, remaining lives and residual value
Stormwater	Unit rates (In House)	Asset condition, remaining lives and residual value
Sewerage	Unit rates (In House)	Asset condition, remaining lives and residual value
Swimming Pools	Cost used to approximate fair value (In House)	Asset condition, remaining lives and residual value
Gravel Pits	Cost used to approximate fair value (In House)	Asset condition, remaining lives and residual value

d. The valuation process for level 3 fair value measurements

The inputs used for applying the Cost Approach to the valuation process were

- pattern of consumption
- residual value (where appropriate)
- asset condition
- unit rates
- useful lives

When necessary Council has engaged external consultants with specific expertise to work in conjunction with Council staff to establish the fair value of the assets based on the above inputs Council has applied the five year rolling valuation cycle.

(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 20. 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	805	772
Post-employment benefits	63	61
Other long-term benefits	28	27
Total	896	860

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related Party Transactions (continued)

(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	Ref	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						
2019						
Clr Bruce Hutcheon	4	95	–		–	–
2018						
Clr Bruce Hutcheon	1	49	–		–	–
Clr Bruce Hutcheon	2	296	–		–	–
T Donoghue	3	68	–		–	–

During the year a related party of the key management personnel of Council donated infrastructure assets as part of a subdivision development.

- 4 During the year the key management personnel of Council undertook a subdivision where a condition of consent was to construct a road. The key management personnel contracted Council to undertake these works on his behalf.

Prior Year

- 1 During the year a related party of the key management personnel of Council part paid a refundable accommodation deposit as part of the admission as a resident of Council's residential aged care facility. Deposits are held by Council as current non-interest bearing liabilities and are refunded when the residency ceases. The transaction was conducted by Council on an arm's length basis and is consistent with the terms and conditions for residents of the facility.
- 2 During the year a related party of the key management personnel of Council donated infrastructure assets as part of a subdivision development.
- 3 During the year a related party of the key management personnel of Council purchased a real estate allotment from Council. The allotments were advertised for sale publicly and the transaction was conducted by Council on an arm's length basis and was consistent with the terms and conditions of all real estate sales.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions

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

\$ '000	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Footpaths	–	–	–	–	–	–	–	–
Kerb & Gutter	1	1	–	–	–	–	2	–
Roads & Carparking	2	3	–	–	–	–	5	–
Roads recoupment	–	35	–	–	–	(35)	–	(154)
Plan administration	–	–	–	–	–	–	–	–
S7.11 contributions – under a plan	3	39	–	–	–	(35)	7	(154)
Total S7.11 and S7.12 revenue under plans	3	39	–	–	–	(35)	7	(154)
Total contributions	3	39	–	–	–	(35)	7	(154)

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 1

Kerb & Gutter	1	1	–	–	–	–	2	–
Roads & Carparking	2	3	–	–	–	–	5	–
Roads recoupment	–	35	–	–	–	(35)	–	(154)
Total	3	39	–	–	–	(35)	7	(154)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund

\$ '000	General ¹ 2019	Sewer 2019
Income Statement by fund		
Income from continuing operations		
Rates and annual charges	3,025	562
User charges and fees	3,797	9
Interest and investment revenue	448	55
Other revenues	832	7
Grants and contributions provided for operating purposes	6,821	189
Grants and contributions provided for capital purposes	2,252	42
Other income		
Share of interests in joint ventures and associates using the equity method	8	–
Total income from continuing operations	17,183	864
Expenses from continuing operations		
Employee benefits and on-costs	6,103	174
Borrowing costs	16	–
Materials and contracts	2,914	347
Depreciation and amortisation	3,596	231
Other expenses	1,528	141
Net losses from the disposal of assets	106	11
Total expenses from continuing operations	14,263	904
Operating result from continuing operations	2,920	(40)
Net operating result for the year	2,920	(40)
Net operating result attributable to each council fund	2,920	(40)
Net operating result for the year before grants and contributions provided for capital purposes	668	(82)

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Sewer 2019
Statement of Financial Position by fund		
ASSETS		
Current assets		
Cash and cash equivalents	625	2,099
Investments	17,700	–
Receivables	1,267	51
Inventories	344	–
Total current assets	19,936	2,150
Non-current assets		
Inventories	102	–
Infrastructure, property, plant and equipment	166,460	9,628
Investments accounted for using the equity method	170	–
Total non-current assets	166,732	9,628
TOTAL ASSETS	186,668	11,778
LIABILITIES		
Current liabilities		
Payables	8,002	–
Income received in advance	247	–
Provisions	1,729	–
Total current liabilities	9,978	–
Non-current liabilities		
Payables	2	–
Provisions	481	–
Total non-current liabilities	483	–
TOTAL LIABILITIES	10,461	–
Net assets	176,207	11,778
EQUITY		
Accumulated surplus	85,668	6,154
Revaluation reserves	90,539	5,624
Council equity interest	176,207	11,778
Total equity	176,207	11,778

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.

(1) 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 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	695				
Total continuing operating revenue excluding capital grants and contributions ¹	15,659	4.44%	9.49%	18.92%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	8,583				
Total continuing operating revenue ¹	17,953	47.81%	47.89%	43.40%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions	10,954				
Current liabilities less specific purpose liabilities	1,319	8.30x	9.74x	8.41x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4,538				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	16	283.63x	547.63x	81.56x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	230				
Rates, annual and extra charges collectible	3,758	6.12%	5.50%	4.89%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	20,424				
Monthly payments from cash flow of operating and financing activities	968	21.09 mths	21.44 mths	19.71 mths	>3.00 mths

(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 24(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Sewer Indicators		Benchmark
	2019	2018	2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	5.24%	10.26%	(9.98)%	(3.47)%	>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	46.52%	46.82%	73.26%	68.08%	>60.00%
Total continuing operating revenue ¹					
3. Unrestricted current ratio					
Current assets less all external restrictions	8.30x	9.74x	∞	∞	>1.50x
Current liabilities less specific purpose liabilities					
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	274.31x	522.75x	∞	∞	>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	5.93%	5.23%	7.13%	7.12%	<10.00%
Rates, annual and extra charges collectible					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	18.92	19.13	∞	∞	>3.00
Payments from cash flow of operating and financing activities	mths	mths			mths

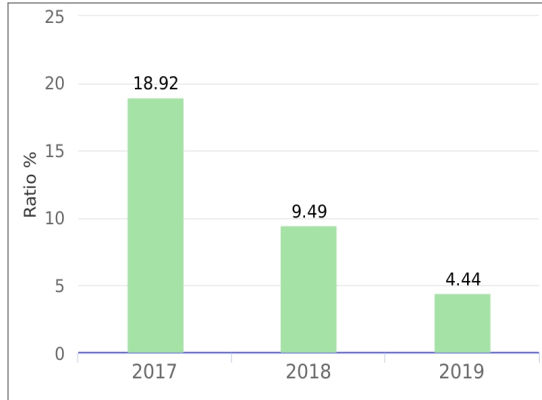
(1) - (2) Refer to Notes at Note 28a above.

(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 24(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 4.44%

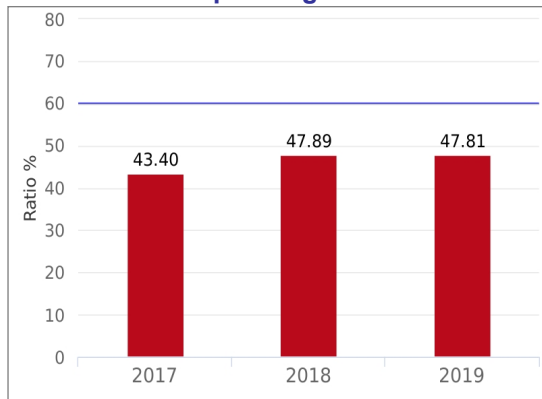
Council has once again achieved a positive Operating Performance Ratio, greater than the benchmark of 0.00%

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 47.81%

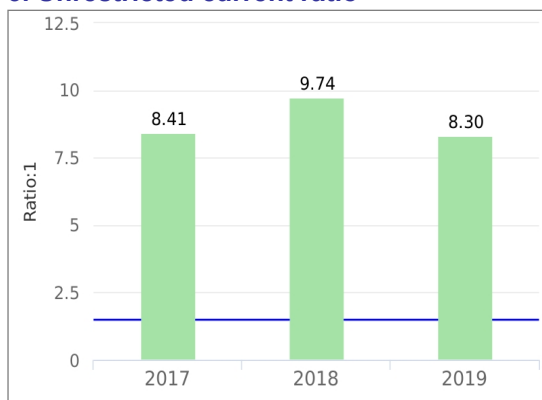
Council has continued to source government grants where they are available and as a result of receiving such grants this ratio is unfavourably affected.

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 8.30x

Council continues to maintain a strong Unrestricted Current Ratio much higher than the benchmark of 1.5x.

Benchmark: — > 1.50x

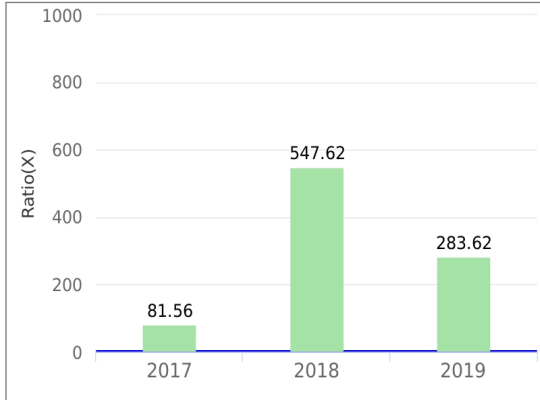
Source of benchmark: Code of Accounting Practice and Financial Reporting #27

- Ratio achieves benchmark
- Ratio is outside benchmark

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

Note 24(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 283.63x

Council continues to have a strong Debt Service Cover ratio as a result of having no external financing arrangements.

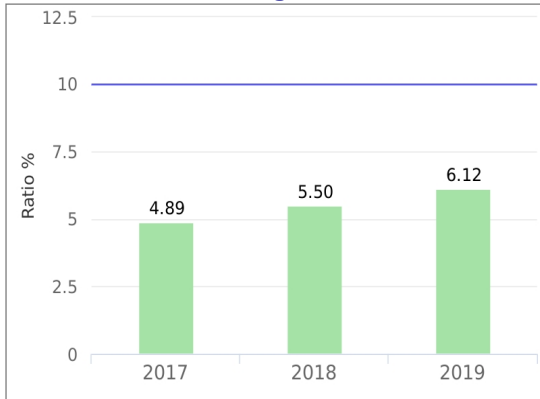
Benchmark: — > 2.00x

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 6.12%

Council's Rates & Annual Charges Outstanding Ratio has remained relatively static over the past four years and remains below the 10.0% benchmark for Rural Councils.

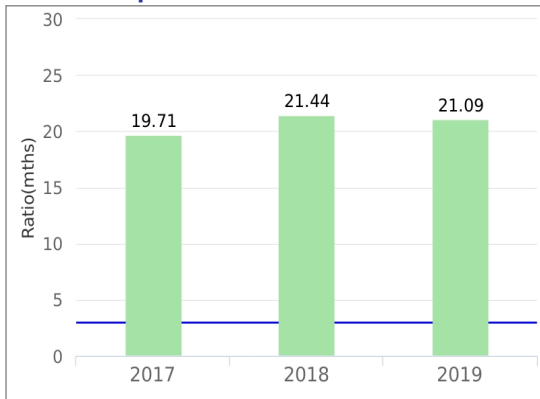
Benchmark: — < 10.00%

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 21.09 mths

Council continues to hold adequate cash reserves to cover immediate expenses without having to rely on external financing arrangements.

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 25. Council information and contact details

Principal place of business:

55 Cowabbie Street
COOLAMON NSW 2701

Contact details

Mailing Address:

PO Box 101
COOLAMON NSW 2701

Telephone: 02 6930 1800

Facsimile: 02 6927 3168

Opening hours:

8:30am - 5:00pm
Monday to Friday

Internet: www.coolamon.nsw.gov.au

Email: council@coolamon.nsw.gov.au

Officers

GENERAL MANAGER

Mr Tony Donoghue

RESPONSIBLE ACCOUNTING OFFICER

Ms Samantha Jennings

PUBLIC OFFICER

Mr Tony Donoghue

AUDITORS

Auditor General

CONTRACT AUDIT AGENT

Crowe
491 Smollett Street
ALBURY NSW 2640

Elected members

MAYOR

Clr John Seymour

COUNCILLORS

Clr Bruce Hutcheon

Clr Steve Jones

Clr David McCann

Clr Kerrilee Logan

Clr Kathy Maslin

Clr Colin McKinnon

Clr Alan White

Clr Jeremy Crocker

Other information

ABN: 32 572 175 265



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Coolamon Shire Council

To the Councillors of the Coolamon Shire Council

Opinion

I have audited the accompanying financial statements of Coolamon 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 to the Financial Statements, 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 18 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.



Min Lee
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

20 September 2019
SYDNEY



Cr John Seymour
Mayor
Coolamon Shire Council
PO Box 101
COOLAMON NSW 2701

Contact: Min Lee
Phone no: (02) 9275 7151
Our ref: D1921345/1716

20 September 2019

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
Coolamon Shire Council**

I have audited the general purpose financial statements (GPFS) of the Coolamon 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	3.6	3.5	↑ 3.1
Grants and contributions revenue	9.3	8.9	↑ 4.1
Operating result for the year	2.9	4.1	↓ 29.5
Net operating result before capital grants and contributions	0.6	1.7	↓ 65.0

Council's operating result was a surplus of \$2.9 million (\$4.1 million surplus for the year ended 30 June 2018). The net operating result before capital grants and contributions was a surplus of \$0.6 million (\$1.7 million surplus for the year ended 30 June 2018). These movements were mainly due to an increase in employee benefits and on-costs, which included a reduction in capitalised employee costs and an increased depreciation expense resulting from the 2018 revaluation of buildings.

Rates and annual charges revenue was \$3.6 million (\$3.5 million for the year ended 30 June 2018). The increase of \$0.1 million (3.1%) is consistent with an increase in ordinary rates in line with the 2.3% rate peg and rise in the total number of rateable properties.

Grants and contributions revenue was \$9.3 million (\$8.9 million for the year ended 30 June 2018). The increase of \$0.4 million (4.1%) is primarily due to the increase in financial assistance grants of \$0.3 million and Stronger Country Communities grants of \$0.9 million. This was offset by a reduction of \$0.4 million in Transport (roads to recovery) grants.

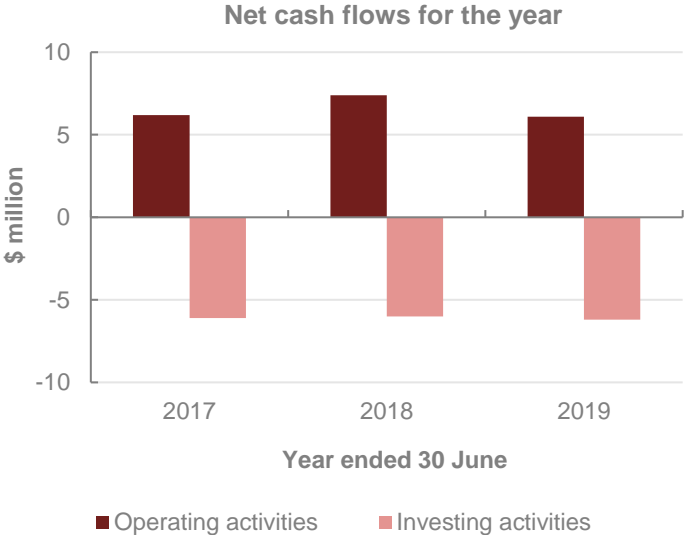
STATEMENT OF CASH FLOWS

Council's cash and cash equivalents was \$2.7 million (\$2.8 million for the year ended 30 June 2018). There was a net decrease in cash and cash equivalents of \$68,000 at 30 June 2019.

Net cash provided by operating activities has decreased by \$1.3 million. This is mainly due to the decrease in bonds, deposits and retention amounts received of \$1 million, and the increase in employee benefits and on costs of \$0.6 million.

Net cash used in investing activities increased by \$0.2 million. This is mainly due to the decrease in the sale of investment securities of \$1.5 million and decrease in the sale of real estate assets of \$0.7 million. This was offset by the decrease in purchase of investment securities of \$1 million and a decrease in purchase of infrastructure, property, plant and equipment of \$1.2 million.

Council has no external borrowings as at 30 June 2019.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	11.0	11.4	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The decrease of \$0.4 million is primarily due to a decrease in unexpended grants and domestic waste management restrictions.
Internal restrictions	9.1	7.5	
Unrestricted	0.3	0.0	
Cash and investments	20.4	18.9	<ul style="list-style-type: none"> Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The increase of \$1.6 million is primarily due to additional amounts set aside to the asset management/replacement program and Financial Assistance Grants paid in advance. Unrestricted cash and investments was \$0.3 million, which is available to provide liquidity for day-to-day operations of the Council.

Debt

Council has no external borrowings at 30 June 2019.

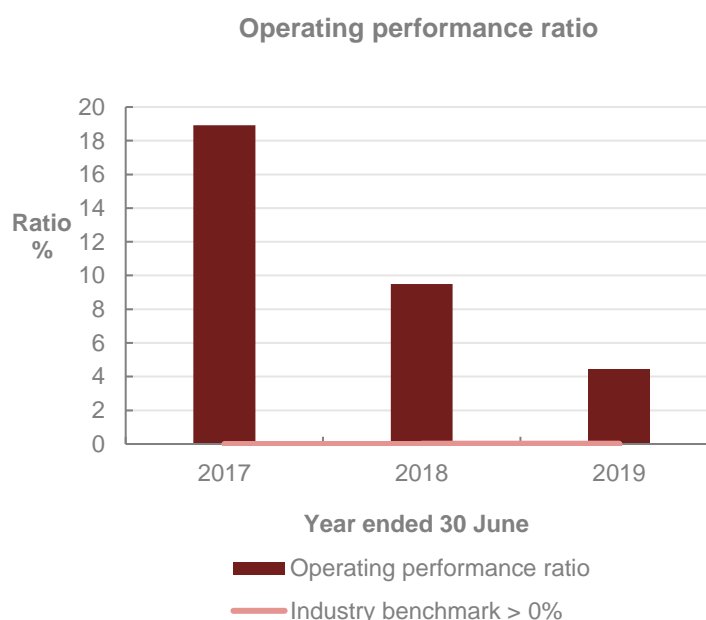
PERFORMANCE

Operating performance ratio

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.

The operating performance ratio of 4.4% is above the industry benchmark of greater than 0%. This indicates the Council can contain operating expenditures within operating revenue.

The operating performance ratio decreased to 4.4% (2018: 9.49%) due to the increase in expensed employee benefits and on-costs.

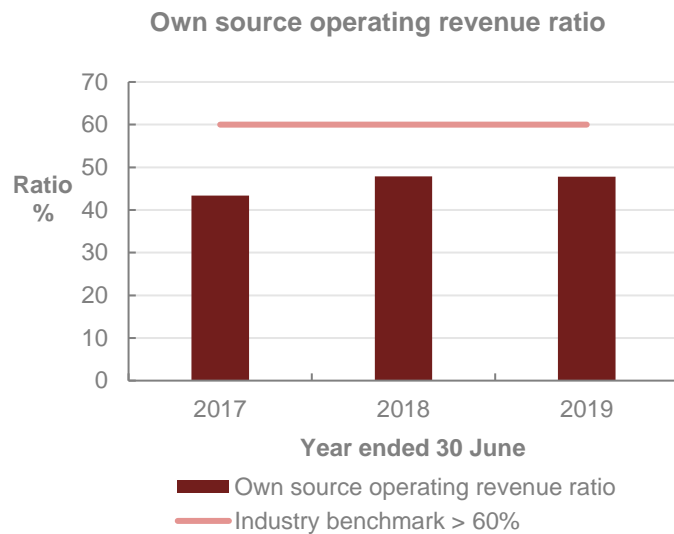


Own source operating revenue ratio

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.

The Council's own source operating revenue ratio of 47.8% is below the industry benchmark of 60%. This indicates that the Council is more reliant on external funding sources, such as grants and contributions.

The own source operating revenue ratio has remained consistent with the 2018 result.

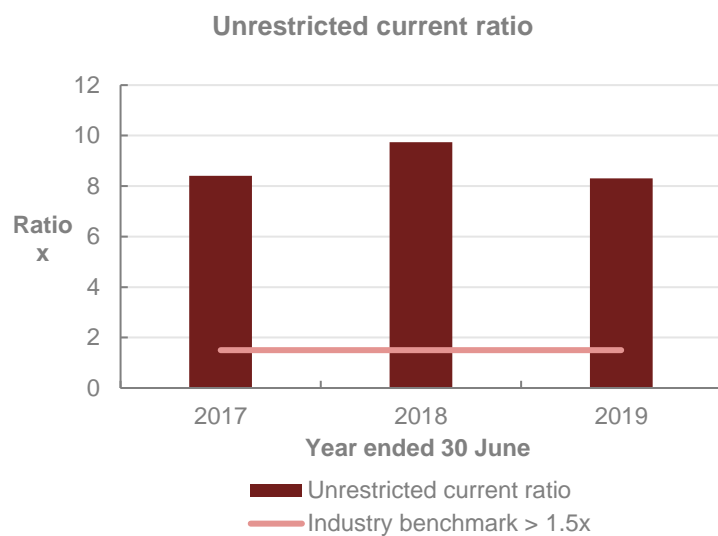


Unrestricted current ratio

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.

The Council's liquidity ratio of 8.3 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.

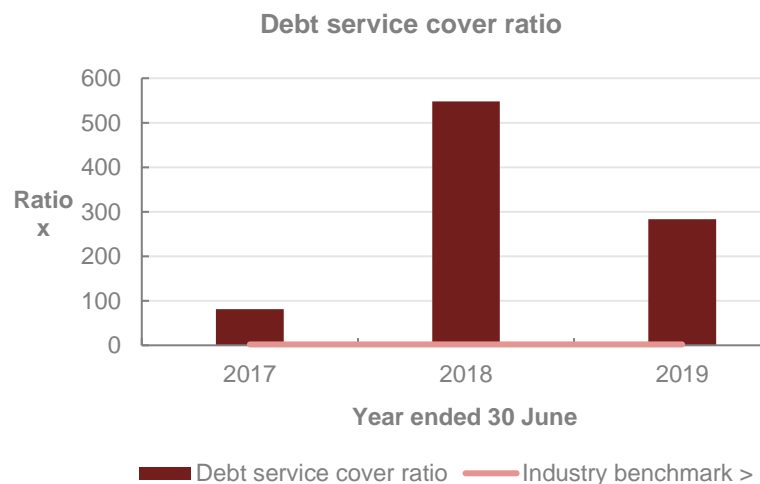
The Council's unrestricted current ratio has remained steady.



Debt service cover ratio

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.

Council holds no external debt as at 30 June 2019 but did pay interest on advances during the year.

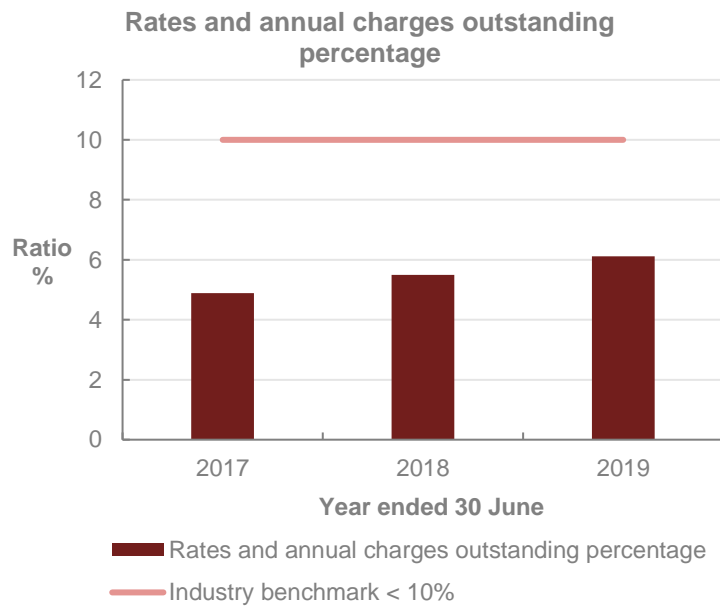


Rates and annual charges outstanding percentage

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.

The Council's rates and annual charges outstanding ratio of 6.1% is within the industry benchmark of less than 10% for regional and rural councils.

The rates and annual charges outstanding percentage has increased slightly from the previous year but remains below the benchmark for rural councils which is a reflection of sound debt recovery procedures at the Council.

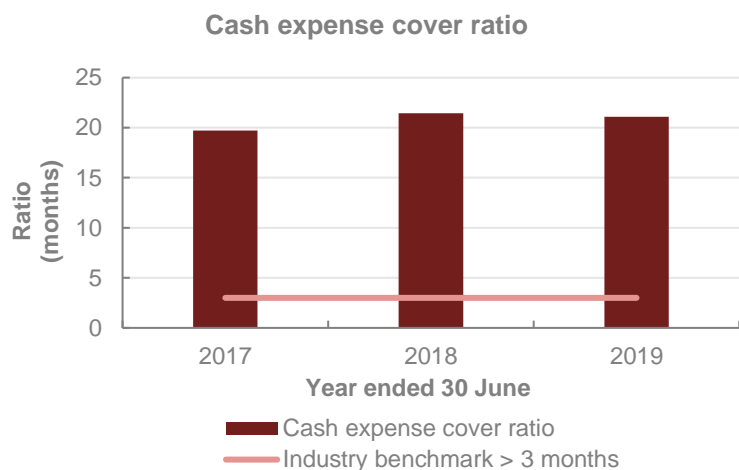


Cash expense cover ratio

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.

The Council's cash expense cover ratio was 21.1 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 21.1 months of operating cash expenditure without additional cash inflows at 30 June 2019.

The Council's cash expense cover ratio has remained steady.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$4.7 million of assets in the 2018–19 financial year, compared to \$5.0 million of assets in the 2017–18 financial year.

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.



Min Lee
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Tony Donoghue, General Manager
Courtney Armstrong, Executive Manager, Corporate and Community Services
Ray Smith, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Coolamon Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



Special Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Sewerage Business Activity	4
Income Statement – Allawah Complex	5
Income Statement – Coolamon Early Childhood Centre	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Allawah Complex	8
Statement of Financial Position – Coolamon Early Childhood Centre	9
Note 1 – Significant Accounting Policies	10
Auditor's Report on Special Purpose Financial Statements	13

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).

Coolamon Shire Council

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:

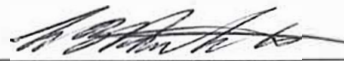
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 19 September 2019



John Seymour
Mayor
19 September 2019



Bruce Hutcheon
Councillor
19 September 2019



Tony Donoghue
General Manager
19 September 2019



Samantha Jennings
Responsible Accounting Officer
19 September 2019

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	562	517
User charges	9	8
Interest	55	51
Grants and contributions provided for non-capital purposes	189	243
Other income	7	17
Total income from continuing operations	822	836
Expenses from continuing operations		
Employee benefits and on-costs	174	162
Materials and contracts	347	368
Depreciation, amortisation and impairment	231	229
Loss on sale of assets	11	–
Other expenses	141	106
Total expenses from continuing operations	904	865
Surplus (deficit) from continuing operations before capital amounts	(82)	(29)
Grants and contributions provided for capital purposes	42	35
Surplus (deficit) from continuing operations after capital amounts	(40)	6
Surplus (deficit) from all operations before tax	(40)	6
SURPLUS (DEFICIT) AFTER TAX	(40)	6
Plus accumulated surplus	6,194	6,188
Plus adjustments for amounts unpaid:		
Less:		
Closing accumulated surplus	6,154	6,194
Return on capital %	(0.9)%	(0.3)%
Subsidy from Council	209	301
Calculation of dividend payable:		
Surplus (deficit) after tax	(40)	6
Less: capital grants and contributions (excluding developer contributions)	(42)	–
Surplus for dividend calculation purposes	–	6
Potential dividend calculated from surplus	–	3

Income Statement – Allawah Complex

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
User charges	2,210	2,021
Interest	205	195
Other income	268	346
Total income from continuing operations	2,683	2,562
Expenses from continuing operations		
Employee benefits and on-costs	1,649	1,548
Borrowing costs	16	6
Materials and contracts	498	686
Depreciation, amortisation and impairment	359	134
Loss on sale of assets	21	14
Other expenses	290	273
Total expenses from continuing operations	2,833	2,661
Surplus (deficit) from continuing operations before capital amounts	(150)	(99)
Grants and contributions provided for capital purposes	373	–
Surplus (deficit) from continuing operations after capital amounts	223	(99)
Surplus (deficit) from all operations before tax	223	(99)
SURPLUS (DEFICIT) AFTER TAX	223	(99)
Plus accumulated surplus	6,558	6,657
Plus adjustments for amounts unpaid:		
Add:		
Less:		
Closing accumulated surplus	6,781	6,558
Return on capital %	(1.3)%	(0.9)%
Subsidy from Council	265	391

Income Statement – Coolamon Early Childhood Centre

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
User charges	554	583
Grants and contributions provided for non-capital purposes	41	75
Other income	13	15
Total income from continuing operations	608	673
Expenses from continuing operations		
Employee benefits and on-costs	557	536
Materials and contracts	44	33
Depreciation, amortisation and impairment	29	12
Other expenses	26	27
Total expenses from continuing operations	656	608
Surplus (deficit) from continuing operations before capital amounts	(48)	65
Surplus (deficit) from continuing operations after capital amounts	(48)	65
Surplus (deficit) from all operations before tax	(48)	65
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(18)
SURPLUS (DEFICIT) AFTER TAX	(48)	47
Plus accumulated surplus	347	282
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	18
Add:		
Less:		
Closing accumulated surplus	299	347
Return on capital %	(7.4)%	9.4%
Subsidy from Council	57	–

Statement of Financial Position – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	2,099	2,044
Receivables	51	46
Total current assets	2,150	2,090
Non-current assets		
Infrastructure, property, plant and equipment	9,628	9,748
Total non-current assets	9,628	9,748
TOTAL ASSETS	11,778	11,838
NET ASSETS	11,778	11,838
EQUITY		
Accumulated surplus	6,154	6,194
Revaluation reserves	5,624	5,644
TOTAL EQUITY	11,778	11,838

Statement of Financial Position – Allawah Complex

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	9,128	8,601
Receivables	2	(9)
Total current assets	9,130	8,592
Non-current assets		
Infrastructure, property, plant and equipment	9,932	10,666
Total non-current assets	9,932	10,666
TOTAL ASSETS	19,062	19,258
LIABILITIES		
Current liabilities		
Payables	7,568	7,741
Provisions	172	158
Total current liabilities	7,740	7,899
Non-current liabilities		
Borrowings	–	6
Provisions	6	–
Total non-current liabilities	6	6
TOTAL LIABILITIES	7,746	7,905
NET ASSETS	11,316	11,353
EQUITY		
Accumulated surplus	6,781	6,558
Revaluation reserves	4,535	4,795
TOTAL EQUITY	11,316	11,353

Statement of Financial Position – Coolamon Early Childhood Centre

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	234	263
Receivables	2	1
Total current assets	236	264
Non-current assets		
Infrastructure, property, plant and equipment	647	694
Total non-current assets	647	694
TOTAL ASSETS	883	958
LIABILITIES		
Current liabilities		
Payables	3	3
Provisions	73	72
Total current liabilities	76	75
Non-current liabilities		
Borrowings	305	305
Provisions	4	2
Total non-current liabilities	309	307
TOTAL LIABILITIES	385	382
NET ASSETS	498	576
EQUITY		
Accumulated surplus	299	347
Revaluation reserves	199	229
TOTAL EQUITY	498	576

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. Allawah Complex

Provision of Residential Aged Care and Retirement Village accommodation.

Category 2

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

a. Coolamon Shire Sewerage Services

Council's sewerage reticulation and treatment activities

b. Coolamon Early Childhood Centre

Provision of long day care.

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 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 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
Coolamon Shire Council

To the Councillors of the Coolamon Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Coolamon Shire Council's (the Council) Declared Business Activities, which comprise the Income Statement of the Declared Business Activities for the year ended 30 June 2019, the Statement of Financial Position of the Declared Business Activities as at 30 June 2019, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Sewerage Services
- Allawah Complex
- Coolamon Early Childhood Centre.

In my opinion, the financial statements presents 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 has 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 report 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 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 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 it 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 'SML', is positioned above the typed name.

Min Lee
A/Director, Financial Audit Services

20 September 2019
SYDNEY

Coolamon Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



Special Schedules

for the year ended 30 June 2019

Contents	Page
Special Schedules	
Special Schedule 2 Permissible income for general rates	3
Report on Infrastructure Assets - Values	4

Permissible income for general rates for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	2,383	2,335
Plus or minus adjustments ²	b	(2)	2
Notional general income	c = a + b	2,381	2,337
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	64	54
Sub-total	k = (c + g + h + i + j)	2,445	2,391
Plus (or minus) last year's carry forward total	l	4	(4)
Sub-total	n = (l + m)	4	(4)
Total permissible income	o = k + n	2,449	2,387
Less notional general income yield	p	2,451	2,383
Catch-up or (excess) result	q = o - p	(2)	4
Carry forward to next year ⁶	t = q + r + s	(2)	4

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.

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 – non-specialised	–	–	24	21	1,439	1,688	42.8%	57.2%	0.0%	0.0%	0.0%
	Buildings – specialised	–	–	779	990	23,113	41,540	21.9%	21.2%	36.4%	17.2%	3.4%
	Sub-total	–	–	803	1,011	24,552	43,228	22.7%	22.6%	35.0%	16.5%	3.2%
Other structures	Other structures	–	–	245	405	3,593	4,397	52.0%	36.0%	6.0%	4.0%	2.0%
	Sub-total	–	–	245	405	3,593	4,397	52.0%	36.0%	6.0%	4.0%	2.0%
Roads	Sealed Roads - Seal	–	–	709	650	14,889	17,409	58.0%	37.0%	5.0%	0.0%	0.0%
	Sealed Roads - Pavement	–	–	–	128	31,137	39,398	29.0%	62.0%	9.0%	0.0%	0.0%
	Unsealed Roads - Pavement	–	–	512	505	5,319	6,352	47.0%	49.0%	4.0%	0.0%	0.0%
	Kerb & Gutter	–	–	–	2	8,301	8,933	39.0%	58.0%	3.0%	0.0%	0.0%
	Bridges	–	–	–	–	2,106	2,718	12.0%	88.0%	0.0%	0.0%	0.0%
	Footpaths/Cycleways	–	–	10	17	2,244	2,606	60.0%	37.0%	2.0%	1.0%	0.0%
	Bulk Earthworks	–	–	–	–	59,197	–	0.0%	0.0%	0.0%	0.0%	0.0%
Sub-total	–	–	1,231	1,302	123,193	77,416	38.6%	54.9%	6.4%	0.0%	0.1%	
Sewerage network	Sewerage Network	–	–	296	499	9,146	15,830	63.0%	33.0%	4.0%	0.0%	0.0%
	Sub-total	–	–	296	499	9,146	15,830	63.0%	33.0%	4.0%	0.0%	0.0%
Stormwater drainage	Stormwater drainage	–	–	20	34	3,048	3,700	38.0%	61.0%	1.0%	0.0%	0.0%
	Sub-total	–	–	20	34	3,048	3,700	38.0%	61.0%	1.0%	0.0%	0.0%
Open space / recreational assets	Swimming Pools	–	–	181	146	2,926	4,301	65.0%	35.0%	0.0%	0.0%	0.0%
	Other (parks, gardens & recreational assets)	–	–	392	531	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	573	677	2,926	4,301	65.0%	35.0%	0.0%	0.0%	0.0%
TOTAL - ALL ASSETS		–	–	3,168	3,928	166,458	148,872	37.7%	42.2%	14.1%	4.9%	1.1%

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

Infrastructure asset condition assessment 'key'

1. Excellent - No work required (normal maintenance)	4. Poor - Renewal Required
2. Good - Only minor maintenance work required	5. Very Poor - Urgent renewal/upgrading required
3. Average - Maintenance work required	

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	4,062	116.72%	157.94%	107.43%	>=100.00%
Depreciation, amortisation and impairment	3,480				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	-	-	0.40%	1.81%	<2.00%
Net carrying amount of infrastructure assets	166,458				
Asset maintenance ratio					
Actual asset maintenance	3,928	123.99%	109.72%	139.24%	>100.00%
Required asset maintenance	3,168				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	-	-	0.31%	0.93%	
Gross replacement cost	148,872				

(*) 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

\$ '000	General fund		Sewer fund		Benchmark
	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²					
Depreciation, amortisation and impairment	121.69%	172.00%	37.86%	–	>=100.00%
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard					
Net carrying amount of infrastructure assets	–	0.42%	–	–	<2.00%
Asset maintenance ratio					
Actual asset maintenance					
Required asset maintenance	119.39%	111.39%	168.58%	92.88%	>100.00%
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council					
Gross replacement cost	–	0.34%	–	–	

(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.