

Narromine Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

*To enhance our Shire's image, lifestyle and environment
through effective leadership, community involvement and
commitment to service.*



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

124 Dandaloo Street
Narromine NSW 2821

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.narromine.nsw.gov.au.

Narromine Shire Council

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Narromine 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:

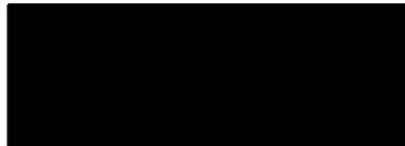
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

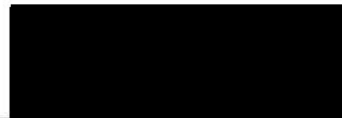
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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 11 September 2019.



Craig Davies
Mayor
11 September 2019



Dawn Collins
Councillor
11 September 2019



Jane Redden
General Manager
11 September 2019



John Sevil
Responsible Accounting Officer
11 September 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Income from continuing operations				
<u>Revenue:</u>				
8,852	Rates and annual charges	3a	8,857	8,436
2,688	User charges and fees	3b	3,063	2,988
634	Interest and investment revenue	3c	1,010	637
926	Other revenues	3d	472	532
7,691	Grants and contributions provided for operating purposes	3e,3f	7,649	7,948
3,293	Grants and contributions provided for capital purposes	3e,3f	3,390	2,831
<u>Other income:</u>				
–	Net gains from the disposal of assets	5	43	157
–	Net share of interests in joint ventures and associates using the equity method	14	10	37
24,084	Total income from continuing operations		24,494	23,566
Expenses from continuing operations				
7,720	Employee benefits and on-costs	4a	6,624	7,075
107	Borrowing costs	4b	93	101
4,444	Materials and contracts	4c	5,480	4,686
5,964	Depreciation and amortisation	4d	5,850	5,964
2,375	Other expenses	4e	2,543	2,895
–	Revaluation decrement / impairment of IPP&E	4d	249	–
20,610	Total expenses from continuing operations		20,839	20,721
3,474	Operating result from continuing operations		3,655	2,845
3,474	Net operating result for the year		3,655	2,845
3,474	Net operating result attributable to council		3,655	2,845
181	Net operating result for the year before grants and contributions provided for capital purposes		265	14

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
Net operating result for the year (as per Income Statement)		3,655	2,845
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain / (loss) on revaluation of IPP&E	9(a)	1,194	2,107
Total items which will not be reclassified subsequently to the operating result		1,194	2,107
Total other comprehensive income for the year		1,194	2,107
Total comprehensive income for the year		4,849	4,952
Total comprehensive income attributable to Council		4,849	4,952

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
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	1,659	1,035
Investments	6(b)	22,573	23,320
Receivables	7	1,921	2,074
Inventories	8a	854	1,014
Other	8b	90	115
Total current assets		<u>27,097</u>	<u>27,558</u>
Non-current assets			
Receivables	7	512	458
Infrastructure, property, plant and equipment	9(a)	309,001	302,718
Investments accounted for using the equity method	14	298	288
Total non-current assets		<u>309,811</u>	<u>303,464</u>
TOTAL ASSETS		<u>336,908</u>	<u>331,022</u>
LIABILITIES			
Current liabilities			
Payables	10	1,558	884
Income received in advance	10	227	186
Borrowings	10	390	385
Provisions	11	1,576	1,761
Total current liabilities		<u>3,751</u>	<u>3,216</u>
Non-current liabilities			
Borrowings	10	2,858	2,494
Provisions	11	194	56
Total non-current liabilities		<u>3,052</u>	<u>2,550</u>
TOTAL LIABILITIES		<u>6,803</u>	<u>5,766</u>
Net assets		<u>330,105</u>	<u>325,256</u>
EQUITY			
Accumulated surplus	12a	136,345	132,690
Revaluation reserves	12a	193,760	192,566
Council equity interest		<u>330,105</u>	<u>325,256</u>
Total equity		<u>330,105</u>	<u>325,256</u>

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		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		132,690	192,566	325,256	129,845	190,459	320,304
Net operating result for the year		3,655	–	3,655	2,845	–	2,845
Other comprehensive income							
– Gain / (loss) on revaluation of IPP&E	9(a)	–	1,194	1,194	–	2,107	2,107
Other comprehensive income		–	1,194	1,194	–	2,107	2,107
Total comprehensive income		3,655	1,194	4,849	2,845	2,107	4,952
Equity – balance at end of the reporting period		136,345	193,760	330,105	132,690	192,566	325,256

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>				
8,852	Rates and annual charges		8,803	8,090
2,688	User charges and fees		2,745	2,792
634	Investment and interest revenue received		899	690
10,985	Grants and contributions		11,566	10,414
–	Bonds, deposits and retention amounts received		5	22
–	Other		302	671
<u>Payments</u>				
(7,721)	Employee benefits and on-costs		(6,815)	(7,086)
(4,444)	Materials and contracts		(4,959)	(4,885)
(107)	Borrowing costs		(92)	(99)
(2,375)	Other		(2,348)	(3,004)
8,512	Net cash provided (or used in) operating activities	13b	10,106	7,605
Cash flows from investing activities				
<u>Receipts</u>				
–	Sale of investment securities		24,000	25,570
488	Sale of real estate assets		–	411
–	Sale of infrastructure, property, plant and equipment		230	544
<u>Payments</u>				
–	Purchase of investment securities		(22,987)	(27,890)
(15,566)	Purchase of infrastructure, property, plant and equipment		(10,965)	(8,617)
–	Purchase of real estate assets		(129)	(258)
(15,078)	Net cash provided (or used in) investing activities		(9,851)	(10,240)
Cash flows from financing activities				
<u>Receipts</u>				
752	Proceeds from borrowings and advances		752	200
<u>Payments</u>				
(383)	Repayment of borrowings and advances		(383)	(363)
369	Net cash flow provided (used in) financing activities		369	(163)
(6,197)	Net increase/(decrease) in cash and cash equivalents		624	(2,798)
1,500	Plus: cash and cash equivalents – beginning of year	13a	1,035	3,833
(4,697)	Cash and cash equivalents – end of the year	13a	1,659	1,035
Additional Information:				
24,000	plus: Investments on hand – end of year	6(b)	22,573	23,320
19,303	Total cash, cash equivalents and investments		24,232	24,355

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 13 November 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these 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

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cashflows.

AASB 9 Financial Instruments is effective from 1 July 2018 and has had no material impact on Council's financial statements as Council is prohibited from carrying certain types of investments including derivatives.

(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)

Significant judgements in applying the council's accounting policies

(iv) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in none of its operating leases being recognised on the balance sheet by Council (alongside existing finance leases). AASB 16 provides optional relief for leases of low-value or for leases of less than 12 months. OLG has mandated Councils to apply this exemption for all leases that meet the criteria.

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

AASB 16 will (on the whole) not affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$52,015 - refer Note 15.

Of these commitments, approximately \$6,636 relate to short-term leases and \$45,379 to low value leases.

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

From a financial performance standpoint, Council expects that net operating result will not change for the 19/20 financial year as a result of adopting the standard.

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

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

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

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

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

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

The impact of AASB15 is expected to be minimal due to revenue earned when it is received.

AASB 1058 Income of NFP Entities

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

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

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

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

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

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

There is not expected to be a material impact on the reported financial position, performance or cashflows of Council although some additional disclosure may be required.

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

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

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

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

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

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

Apart from those standards listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

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	142	–	1,059	487	(917)	(487)	58	–	–	–
Administration	251	–	2,481	3,174	(2,230)	(3,174)	–	–	26,830	27,179
Public Order & Safety	140	142	559	581	(419)	(439)	–	116	271	276
Environment & Health	188	100	326	326	(138)	(226)	116	68	1,328	1,383
Community & Cultural Services	319	214	1,681	1,209	(1,362)	(995)	117	464	408	374
Planning & Development	164	209	284	192	(120)	17	–	–	173	173
Waste Management	1,712	1,482	1,548	1,113	164	369	–	27	914	631
Infrastructure	5,662	5,588	7,339	7,857	(1,677)	(2,269)	6,141	3,130	240,094	238,374
Recreational Facilities	142	1,007	1,985	1,733	(1,843)	(726)	7	661	19,122	15,904
Economic Development	36	247	338	409	(302)	(162)	25	52	56	70
Family Day Care	–	606	–	628	–	(22)	–	509	236	232
Water Supplies	2,005	2,281	1,971	1,846	34	435	15	231	21,040	20,780
Sewerage Services	1,542	1,523	1,268	1,166	274	357	–	19	25,922	25,358
General Purpose Income	12,181	10,130	–	–	12,181	10,130	3,038	4,209	–	–
Joint Ventures	10	37	–	–	10	37	–	–	298	288
Other	–	–	–	–	–	–	(23)	(105)	216	–
Total functions and activities	24,494	23,566	20,839	20,721	3,655	2,845	9,494	9,381	336,908	331,022

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 policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

- Executive services - provision of effective and efficient support to councillors, Council and the community.
- Legal advice and services for Council, its delegates and officers, procure adequate and appropriate insurance coverage at a minimum cost, manage claims against Council and manage litigation by and against Council.
- Provision of management accounting, financial reporting, rates, payroll, creditors, accounts receivable, cashiering, debt recovery and investments.
- Computing and support services to Council
- Management and improvement of the quality, performance, opportunities & safety conditions of Council's staff.
- Civic administration building.

Public Order & Safety

- Co-operation and liaison with the Rural Fire Service and other Emergency Service organisations

Environment & Health

- Protection of the environment, its enhancement and the promotion of environmental sustainability
- Maintenance of the health standards and safety of premises that are accessible to and impact upon the community
- Development of an innovative best practice policy to control the incidence of noxious plants
- Companion animal management and issues in relation to straying livestock

Community & Cultural Services

- Provision of community, cultural and educational services and facilities to enhance the community's way of life
- Provision of programs and services for young people between 12-24 years of age
- Active participation in and co-operation with community organisations in the delivery of Aged & Disability Services
- Provision for the development and management of a range of community facilities
- Provision of effective public library lending, information and referral services
- Provision of quality cemetery services and memorial facilities
- Advocate for a strong cultural role in community revitalisation and identity by the encouragement & promotion of local historical, cultural and art organisations and activities

Planning & Development

- Creation of a quality environment for the community in which land use and development is planned and assessed and the social, environmental, economic, agricultural, heritage and physical wellbeing of the community is enhanced and protected
- Planning the Shire's future whilst embracing the principles of Ecologically Sustainable Development
- Assessment and determination of development applications
- Regulatory inspections

Waste Management

- Effective management of waste collection, minimise waste whilst encouraging commercial and residential recycling
- Collection & recycling
- Disposal

Infrastructure

- Provision of well constructed, maintained and functional roads, drains, public buildings and associated engineering structures; including operational support, construction and maintenance, design, stormwater management and aerodromes

Notes to the Financial Statements

for the year ended 30 June 2019

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

Recreational Facilities

- Provision of equitable access to social, cultural, sporting and recreational services and facilities
- Parks, playing fields and reserves
- Recreational buildings and infrastructure
- Swimming Pools

Economic Development

- Development and assistance in the implementation of strategies, programs and policies that will provide employment and a positive environment for the local economy
- Tourism & area promotion
- Real estate development
- Saleyards and markets
- External partnerships
- Camping areas

Water Supplies

- Provision of a cost effective, environmentally sensitive and ecologically sustainable water supply service. Including business plan, service delivery, customer service, demand management, infrastructure management.

Sewerage Services

- Provision of a cost effective, environmentally sensitive & ecologically sustainable sewerage service. Including business plan, service delivery, customer service, demand management, infrastructure management.

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	1,455	1,525
Farmland	3,248	3,178
Mining	274	268
Business	770	561
Less: pensioner rebates (mandatory)	(72)	(71)
Rates levied to ratepayers	5,675	5,461
Pensioner rate subsidies received	40	39
Total ordinary rates	5,715	5,500
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	1,109	964
Stormwater management services	52	52
Water supply services	636	588
Sewerage services	1,096	1,059
Waste management services (non-domestic)	203	228
Less: pensioner rebates (mandatory)	(22)	(21)
Annual charges levied	3,074	2,870
Pensioner subsidies received:		
– Water	21	20
– Sewerage	20	19
– Domestic waste management	27	27
Total annual charges	3,142	2,936
TOTAL RATES AND ANNUAL CHARGES	8,857	8,436

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>		
Water supply services	1,283	1,301
Sewerage services	377	371
Waste management services (non-domestic)	189	54
Total specific user charges	1,849	1,726
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	96	100
Private works – section 67	315	159
Regulatory/ statutory fees	–	1
Registration fees	12	7
Regulatory fees	16	22
Section 10.7 certificates (EP&A Act)	21	41
Section 603 certificates	10	14
Other	2	4
Impounding fees	2	–
Total fees and charges – statutory/regulatory	474	348
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	86	71
Community centres	5	22
Gravel pits	288	308
Recycling income (non-domestic)	66	64
Saleyards	20	20
Swimming centres	70	78
Waste disposal tipping fees	94	137
Water connection fees	8	43
Showgrounds	38	32
Macquarie family day care	–	95
Sport and fitness centre	63	41
Other	2	3
Total fees and charges – other	740	914
TOTAL USER CHARGES AND FEES	3,063	2,988

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)	82	55
– Cash and investments	425	582
Dividend income (other)	237	–
Fair value adjustments		
– Movements in investments at fair value through profit and loss	266	–
TOTAL INTEREST AND INVESTMENT REVENUE	1,010	637

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

Overdue rates and annual charges (general fund)	48	55
General Council cash and investments	915	405

Restricted investments/funds – external:

Development contributions – Section 64	13	5
Water fund operations	19	102
Sewerage fund operations	15	70

Total interest and investment revenue

1,010	637
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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	214	254
Legal fees recovery – rates and charges (extra charges)	21	43
Diesel rebate	63	55
Insurance claims recoveries	4	21
Insurance rebates	56	3
Refunds of contributions	–	4
Other	114	152
TOTAL OTHER REVENUE	472	532

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 – general component	1,492	1,351	–	–
Financial assistance – local roads component	718	703	–	–
Payment in advance - future year allocation				
Financial assistance – general component	1,547	1,393	–	–
Financial assistance – local roads component	745	723	–	–
Total general purpose	4,502	4,170	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	–	–	15	–
– Domestic waste management	–	–	11	–
– Other	–	–	86	–
Water supplies	–	–	15	211
Bushfire and emergency services	116	116	–	–
Community care	–	3	–	–
Community centres	–	–	350	63
Economic development	–	52	60	–
Environmental programs	–	–	58	–
Heritage and cultural	1	–	–	–
Library	31	36	–	–
LIRS subsidy	–	–	62	–
Noxious weeds	61	68	–	–
Recreation and culture	–	–	802	661
Street lighting	46	45	–	–
Traffic route subsidy	–	–	76	–
Transport (roads to recovery)	1,105	1,251	–	–
Transport (other roads and bridges funding)	46	353	812	1,371
Black Spot grant funding	–	–	–	110
Community infrastructure grant	276	–	960	362
Family day care – child assistance	–	420	–	–
Family day care – operational	–	89	–	–
Other	3	–	–	–
Total specific purpose	1,685	2,433	3,307	2,778
Total grants	6,187	6,603	3,307	2,778
Grant revenue is attributable to:				
– Commonwealth funding	4,475	4,656	–	–
– State funding	1,712	1,947	3,307	2,778
	6,187	6,603	3,307	2,778

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 7.12 – fixed development consent levies		33	–	–	50
Total developer contributions – cash		33	–	–	50
Total developer contributions	21	33	–	–	50
Other contributions:					
Cash contributions					
Dedications – subdivisions (other than by s7.11)		134	132	–	–
Recreation and culture		–	–	6	3
RMS contributions (regional roads, block grant)		1,199	1,125	77	–
Tourism		–	1	–	–
Other		49	51	–	–
Employment and training		6	–	–	–
Motor vehicle leaseback		41	36	–	–
Total other contributions – cash		1,429	1,345	83	3
Total other contributions		1,429	1,345	83	3
Total contributions		1,462	1,345	83	53
TOTAL GRANTS AND CONTRIBUTIONS		7,649	7,948	3,390	2,831

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	2,553	3,519
Add: operating grants recognised in the current period but not yet spent	2,287	802
Less: operating grants recognised in a previous reporting period now spent	(1,101)	(1,768)
Unexpended and held as restricted assets (operating grants)	3,739	2,553

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	5,638	5,178
Employee termination costs	–	41
Travel expenses	29	20
Employee leave entitlements (ELE)	547	1,262
Superannuation	731	652
Workers' compensation insurance	229	177
Fringe benefit tax (FBT)	35	25
Training costs (other than salaries and wages)	134	103
Sick leave insurance	4	12
Protective clothing	20	20
Other	22	22
Total employee costs	7,389	7,512
Less: capitalised costs	(765)	(437)
TOTAL EMPLOYEE COSTS EXPENSED	6,624	7,075
Number of 'full-time equivalent' employees (FTE) at year end	79	78

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 loans	93	101
Total interest bearing liability costs expensed	93	101
TOTAL BORROWING COSTS EXPENSED	93	101

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	3,083	2,918
Contractor and consultancy costs	2,215	1,577
Auditors remuneration ²	81	82
Legal expenses:		
– Legal expenses: other	30	68
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	37	35
Other	34	6
Total materials and contracts	<u>5,480</u>	<u>4,686</u>
TOTAL MATERIALS AND CONTRACTS	<u>5,480</u>	<u>4,686</u>

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Other	37	35
	<u>37</u>	<u>35</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	73	82
Remuneration for audit and other assurance services	<u>73</u>	<u>82</u>

Total Auditor-General remuneration

	<u>73</u>	<u>82</u>
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Non NSW Auditor-General audit firms**(ii) Non-assurance services**

Benchmarking advice	8	–
Remuneration for non-assurance services	<u>8</u>	<u>–</u>

Total remuneration of non NSW Auditor-General audit firms

	<u>8</u>	<u>–</u>
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Total Auditor remuneration

	<u>81</u>	<u>82</u>
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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		437	387
Office equipment		73	393
Furniture and fittings		11	17
Infrastructure:			
– Buildings – non-specialised		185	147
– Buildings – specialised		976	617
– Other structures		116	104
– Roads		2,280	2,191
– Bridges		240	243
– Footpaths		78	78
– Stormwater drainage		203	203
– Water supply network		483	616
– Sewerage network		439	433
– Swimming pools		50	41
– Other open space/recreational assets		130	139
– Other infrastructure		11	10
Other assets:			
– Aerodrome		138	226
Intangible assets		–	119
Total depreciation and amortisation costs		5,850	5,964
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
– Buildings – specialised		116	–
– Other infrastructure		8	–
Intangible assets		125	–
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		249	–
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		<u>6,099</u>	<u>5,964</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.

Impairment of non-financial assets

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

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

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

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	78	117
Bad and doubtful debts	57	20
Bank charges	30	36
Child care – carers payments	–	432
Computer software charges	112	159
Contributions/levies to other levels of government	111	–
– Emergency services levy (includes FRNSW, SES, and RFS levies)	9	11
– Macquarie regional library	381	367
– NSW fire brigade levy	32	32
– NSW rural fire service levy	223	229
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	107	102
Councillors' expenses (incl. mayor) – other (excluding fees above)	43	37
Donations, contributions and assistance to other organisations (Section 356)	58	52
Election expenses	–	49
Electricity and heating	395	380
Insurance	383	383
Office expenses (including computer expenses)	58	78
Postage	19	5
Street lighting	201	146
Subscriptions and publications	99	128
Telephone and communications	55	73
Valuation fees	53	29
Other	13	5
Total other expenses	2,543	2,895

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
Plant and equipment	9(a)		
Proceeds from disposal – plant and equipment		230	544
Less: carrying amount of plant and equipment assets sold/written off		(187)	(571)
Net gain/(loss) on disposal		<u>43</u>	<u>(27)</u>
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		–	411
Less: carrying amount of real estate assets sold/written off		–	(227)
Net gain/(loss) on disposal		<u>–</u>	<u>184</u>
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		24,000	25,570
Less: carrying amount of investments sold/redeemed/matured		(24,000)	(25,570)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>43</u>	<u>157</u>

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	1,659	107
Cash-equivalent assets		
– Deposits at call	–	928
Total cash and cash equivalents	<u>1,659</u>	<u>1,035</u>

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	5,573	–	–	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	17,000	–	23,320	–
Total Investments	<u>22,573</u>	<u>–</u>	<u>23,320</u>	<u>–</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>24,232</u>	<u>–</u>	<u>24,355</u>	<u>–</u>
Financial assets at fair value through the profit and loss				
Managed funds	5,523	–	–	–
Unlisted equity securities	50	–	–	–
Total	<u>5,573</u>	<u>–</u>	<u>–</u>	<u>–</u>
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	17,000	–	23,320	–
Total	<u>17,000</u>	<u>–</u>	<u>23,320</u>	<u>–</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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.

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

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.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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 7) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(d) Available for sale financial assets

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

Recognition and de-recognition

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

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

Impairment of financial assets

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

Impairment of available for sale investments

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

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	24,232	–	24,355	–
attributable to:				
External restrictions	11,602	–	13,410	–
Internal restrictions	8,311	–	7,690	–
Unrestricted	4,319	–	3,255	–
	24,232	–	24,355	–

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	–	5
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External restrictions – included in liabilities	–	5
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External restrictions – other

Developer contributions – general	299	259
Developer contributions – water fund	144	141
Developer contributions – sewer fund	77	75
Specific purpose unexpended grants	1,452	2,058
Water supplies	2,151	4,062
Sewerage services	6,387	5,439
Domestic waste management	842	926
Board of control	142	105
OROC	38	205
OROC – Unexpended Grants	70	135

External restrictions – other	11,602	13,405
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Total external restrictions	11,602	13,410
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Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Internal restrictions		
Administration building	8	33
Aerodrome development	147	153
Alkane community contributions	106	87
Alkane environmental monitoring	92	69
Alkane roads contribution	–	55
Alkane Tomingley water tank project	80	60
Carry over works	1,600	1,340
Cemetery improvements	26	26
Community hall upgrades	–	34
Council buildings	62	52
Depot improvements	62	62
Drainage construction	322	122
Economic development reserve	12	12
Election expenses	32	19
Employees leave entitlement	545	545
FAGS advance grant	2,287	2,116
Family day care	–	199
Footpaths	16	5
Industrial land - Aerodrome	752	–
Irrigation System Establishment	72	72
IT strategy	129	129
Kerb and gutter	210	238
Land development	499	499
Library improvements	133	140
Medical centre	144	91
Natfly	4	4
Office equipment	7	21
OHS	102	84
Parks Amenities	95	95
Plant and vehicle replacement	–	306
Playground equipment	76	50
Playground Fencing	33	33
Playground shade	49	49
Pound improvements	8	16
Public amenities upgrade	45	35
Quarries	264	484
Showground improvements	–	1
Softfall Establishment	73	73
Sporting Facility Upgrades	54	146
Sports centre upgrades	35	25
Stormwater – levee bank	2	2
Street lighting	9	9
Street tree planting/irrigation	7	9
Swimming facilities upgrades	42	25
Tomingley - Dicken Park Landscaping	5	–
Trangie Historical Group	1	1
Wetlands development	46	46
Youth education activities	18	18
Total internal restrictions	8,311	7,690
TOTAL RESTRICTIONS	19,913	21,100

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	670	276	623	269
Interest and extra charges	62	55	133	47
User charges and fees	842	181	528	142
Accrued revenues				
– Interest on investments	51	–	110	–
Government grants and subsidies	–	–	527	–
Net GST receivable	259	–	141	–
Other debtors	88	–	36	–
Total	1,972	512	2,098	458
Less: provision of impairment				
Interest and extra charges	(33)	–	–	–
User charges and fees	(18)	–	(24)	–
Total provision for impairment – receivables	(51)	–	(24)	–
<u>TOTAL NET RECEIVABLES</u>	<u>1,921</u>	<u>512</u>	<u>2,074</u>	<u>458</u>

Externally restricted receivables

Water supply

– Rates and availability charges	50	5	40	24
– Other	293	194	272	178

Sewerage services

– Rates and availability charges	129	39	86	66
– Other	160	–	178	–

Domestic waste management

Other				
– Unspent grants	–	–	466	–

Total external restrictions	777	294	1,110	311
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Unrestricted receivables	1,144	218	964	147
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TOTAL NET RECEIVABLES	1,921	512	2,074	458
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\$ '000	2019	2018
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Movement in provision for impairment of receivables

Balance at the beginning of the year (calculated in accordance with AASB 139)	24	–
+ new provisions recognised during the year	28	24
Balance at the end of the period	52	24

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

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 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.

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.

Rates and annual charges outstanding are secured against the property.

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 ECL 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.

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
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	600	–	471	–
Stores and materials	254	–	543	–
Total inventories at cost	854	–	1,014	–
<u>TOTAL INVENTORIES</u>	<u>854</u>	<u>–</u>	<u>1,014</u>	<u>–</u>
(b) Other assets				
Prepayments	90	–	115	–
<u>TOTAL OTHER ASSETS</u>	<u>90</u>	<u>–</u>	<u>115</u>	<u>–</u>

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		499	–	404	–
Industrial/commercial		101	–	67	–
Total real estate for resale		600	–	471	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		348	–	313	–
Development costs		252	–	158	–
Total costs		600	–	471	–
Total real estate for resale		600	–	471	–
Movements:					
Real estate assets at beginning of the year		471	–	439	–
– Purchases and other costs		129	–	259	–
– WDV of sales (expense)	5	–	–	(227)	–
Total real estate for resale		600	–	471	–

(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
Real estate for resale	538	471
	538	471

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	as at 30/6/2018			Asset movements during the reporting period							as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	2,196	–	2,196	164	–	–	–	–	(460)	–	1,900	–	1,900
Plant and equipment	7,723	(3,796)	3,927	831	304	(115)	(437)	–	–	–	8,023	(3,627)	4,396
Office equipment	1,264	(781)	483	43	–	–	(73)	–	–	–	1,097	(821)	276
Furniture and fittings	300	(254)	46	–	–	–	(11)	–	–	–	300	(265)	35
Land:													
– Operational land	4,150	–	4,150	–	–	–	–	–	–	–	4,150	–	4,150
– Community land	1,758	–	1,758	–	–	–	–	–	–	–	1,758	–	1,758
Infrastructure:													
– Buildings – non-specialised	5,573	(2,547)	3,026	–	29	–	(185)	–	–	–	5,602	(2,732)	2,870
– Buildings – specialised	32,721	(16,177)	16,544	1,093	–	–	(976)	(116)	–	–	33,613	(16,953)	16,660
– Other structures	3,249	(1,008)	2,241	1,179	–	–	(116)	–	229	202	4,762	(1,256)	3,506
– Roads	229,331	(35,964)	193,367	2,970	516	–	(2,280)	–	80	–	232,828	(38,253)	194,575
– Bridges	25,524	(6,372)	19,152	–	–	–	(240)	–	–	–	25,524	(6,615)	18,909
– Footpaths	3,404	(1,621)	1,783	83	–	–	(78)	–	–	–	3,488	(1,699)	1,789
– Stormwater drainage	20,423	(6,913)	13,510	230	45	–	(203)	–	151	–	20,698	(7,116)	13,582
– Water supply network	26,932	(12,383)	14,549	1,698	248	–	(483)	–	–	225	29,309	(13,072)	16,237
– Sewerage network	27,208	(8,679)	18,529	368	12	–	(439)	–	–	289	28,024	(9,264)	18,760
– Swimming pools	2,712	(1,065)	1,647	556	82	–	(50)	–	–	(23)	3,427	(1,214)	2,213
– Other open space/recreational assets	3,610	(1,908)	1,702	1,054	83	–	(130)	–	–	182	4,840	(1,949)	2,891
– Other Infrastructure	386	(149)	237	38	–	–	(11)	(8)	–	–	414	(149)	265
Other assets:													
– Aerodrome	15,849	(12,308)	3,541	27	–	–	(138)	–	–	319	16,278	(12,542)	3,736
– Intangibles	449	(119)	330	–	–	–	–	–	–	–	864	(515)	349
– Remediation Assets	–	–	–	–	144	–	–	–	–	–	144	–	144
Total Infrastructure, property, plant and equipment	414,762	(112,044)	302,718	10,334	1,463	(115)	(5,850)	(124)	–	1,194	427,043	(118,042)	309,001

(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)

\$ '000	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	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	3,491	–	3,491	144	–	–	–	(1,438)	–	2,196	–	2,196
Plant and equipment	7,684	(4,095)	3,589	1,282	–	(571)	(387)	14	–	7,723	(3,796)	3,927
Office equipment	1,003	(387)	616	236	24	–	(393)	–	–	1,264	(781)	483
Furniture and fittings	300	(237)	63	–	–	–	(17)	–	–	300	(254)	46
Land:												
– Operational land	3,818	–	3,818	–	–	–	–	–	333	4,150	–	4,150
– Community land	1,874	–	1,874	–	–	–	–	–	(116)	1,758	–	1,758
Infrastructure:												
– Buildings – non-specialised	5,202	(2,638)	2,564	7	–	–	(147)	–	602	5,573	(2,547)	3,026
– Buildings – specialised	28,880	(13,040)	15,840	635	–	–	(617)	145	541	32,721	(16,177)	16,544
– Other structures	3,075	(905)	2,170	162	–	–	(104)	13	–	3,249	(1,008)	2,241
– Roads	226,031	(33,772)	192,259	2,842	10	–	(2,191)	448	–	229,331	(35,964)	193,367
– Bridges	24,719	(6,129)	18,590	805	–	–	(243)	–	–	25,524	(6,372)	19,152
– Footpaths	3,398	(1,543)	1,855	6	–	–	(78)	–	–	3,404	(1,621)	1,783
– Stormwater drainage	20,386	(6,711)	13,675	39	–	–	(203)	–	–	20,423	(6,913)	13,510
– Water supply network	24,433	(11,486)	12,947	1,325	9	–	(616)	517	366	26,932	(12,383)	14,549
– Sewerage network	26,308	(8,068)	18,240	16	24	–	(433)	301	381	27,208	(8,679)	18,529
– Swimming pools	2,601	(1,023)	1,578	111	–	–	(41)	–	–	2,712	(1,065)	1,647
– Other open space/recreational assets	3,529	(1,770)	1,759	59	22	–	(139)	–	–	3,610	(1,908)	1,702
– Other infrastructure	386	(139)	247	–	–	–	(10)	–	–	386	(149)	237
Other assets:												
– Aerodrome	15,681	(12,082)	3,599	168	–	–	(226)	–	–	15,849	(12,308)	3,541
– Intangibles	–	–	–	–	449	–	(119)	–	–	449	(119)	330
Total Infrastructure, property, plant and equipment	402,799	(104,025)	298,774	7,837	538	(571)	(5,964)	–	2,107	414,762	(112,044)	302,718

(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 valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

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

Increases in the carrying amounts arising on revaluation are credited to the asset 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.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	1 to 4		
Vehicles	5 to 20	Buildings	
Heavy plant/road making equipment	5 to 20	Buildings: masonry	50 to 100
Other plant and equipment	5 to 50	Buildings: other	20 to 40
		Stormwater assets	
Water and sewer assets		Drains	80 to 100
Dams and reservoirs	80 to 100	Culverts	50 to 100
Bores	20 to 40	Flood control structures	80 to 100
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	25 to 100		
Pumps and telemetry	15 to 75		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	infinite
Sealed roads: surface	15 to 30	Swimming pools	50 to 70
Sealed roads: structure	20 to 50	Other open space/recreational assets	10 to 100
Unsealed roads	10 to 30	Other infrastructure	50 to 100
Bridge: concrete	80 to 100		
Bridge: other	50 to 80		
Road pavements	60 to 90		
Kerb, gutter and footpaths	40 to 100		

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

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

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 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 the legislation changed, Council will not recognise rural fire service assets including land, buildings, plant and vehicles.

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

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	815	–	815	794	–	794
Plant and equipment	491	133	358	137	131	6
Land						
– Operational land	673	–	673	673	–	673
Other structures	118	–	118	118	77	41
Infrastructure	29,309	13,072	16,237	26,931	12,383	14,548
Total water supply	31,406	13,205	18,201	28,653	12,591	16,062
Sewerage services						
WIP	72	–	72	586	–	586
Plant and equipment	–	–	–	110	45	65
Land						
– Operational land	226	–	226	226	–	226
Buildings	125	52	73	125	49	76
Other structures	–	–	–	59	25	34
Infrastructure	28,024	9,264	18,760	27,208	8,680	18,528
Total sewerage services	28,447	9,316	19,131	28,314	8,799	19,515
Domestic waste management						
Plant and equipment	273	248	25	401	361	40
Land						
– Community land	98	–	98	98	–	98
Buildings	157	60	97	215	54	161
Other assets	497	248	249	445	123	322
Total DWM	1,025	556	469	1,159	538	621
TOTAL RESTRICTED I,PP&E	60,878	23,077	37,801	58,126	21,928	36,198

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	913	–	681	–
Goods and services – capital expenditure	565	–	155	–
Accrued expenses:				
– Borrowings	9	–	8	–
– Other expenditure accruals	19	–	–	–
Security bonds, deposits and retentions	30	–	25	–
Other	22	–	15	–
Total payables	1,558	–	884	–
Income received in advance				
Payments received in advance	227	–	186	–
Total income received in advance	227	–	186	–
Borrowings				
Loans – secured ¹	390	2,858	385	2,494
Total borrowings	390	2,858	385	2,494
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>2,175</u>	<u>2,858</u>	<u>1,455</u>	<u>2,494</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

(a) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	2,879	(383)	752	–	–	3,248
TOTAL	2,879	(383)	752	–	–	3,248

\$ '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
Loans – secured	3,042	(363)	200	–	–	2,879
TOTAL	3,042	(363)	200	–	–	2,879

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

\$ '000	2019	2018
(b) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Credit cards/purchase cards	60	60
Total financing arrangements	60	60
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	60	60
Total undrawn financing arrangements	60	60

Additional financing arrangements information**Breaches and defaults**

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

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

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	460	–	696	–
Long service leave	957	50	1,059	56
Other leave	159	–	6	–
Sub-total – aggregate employee benefits	1,576	50	1,761	56
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	144	–	–
Sub-total – asset remediation/restoration	–	144	–	–
TOTAL PROVISIONS	1,576	194	1,761	56

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

(a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	899	1,115
	899	1,115

(b) Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	–	–
Additional provisions	144	144
Amounts used (payments)	–	–
Unwinding of discount	–	–
Total other provisions at end of period	144	144
2018		
At beginning of year	–	–
Additional provisions	–	–
Amounts used (payments)	–	–
Unwinding of discount	–	–
Total other provisions at end of period	–	–

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 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) 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

Measurement of equity instruments

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

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

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an ECL 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 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	1,659	1,035
Balance as per the Statement of Cash Flows		1,659	1,035
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		3,655	2,845
Adjust for non-cash items:			
Depreciation and amortisation		5,850	5,964
Net losses/(gains) on disposal of assets		(43)	(157)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(266)	–
– Revaluation decrements / impairments of IPP&E direct to P&L		249	–
Share of net (profits)/losses of associates/joint ventures using the equity method		(10)	(37)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		72	(759)
Increase/(decrease) in provision for impairment of receivables		27	24
Decrease/(increase) in inventories		289	(212)
Decrease/(increase) in other current assets		25	(108)
Increase/(decrease) in payables		232	13
Increase/(decrease) in accrued interest payable		1	2
Increase/(decrease) in other accrued expenses payable		19	(1)
Increase/(decrease) in other liabilities		53	41
Increase/(decrease) in provision for employee benefits		(191)	(10)
Increase/(decrease) in other provisions		144	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		10,106	7,605

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	10	37	298	288
Total	10	37	298	288

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

\$ '000	Nature of relationship	Measurement method	2019	2018
			Macquarie Regional Library	Joint Venture
Total carrying amounts – material joint ventures			298	288

(b) Details

Principal activity		Place of business
Macquarie Regional Library	Provision of Library Services	Narromine

(c) Relevant interests and fair values

	Interest in outputs		Interest in ownership		Proportion of voting power	
	Macquarie Regional Library	14.0%	14.0%	14.0%	14.0%	25.0%

(d) Summarised financial information for joint ventures

\$ '000	Macquarie Regional Library	
	2019	2018
Statement of financial position		
Current assets		
Cash and cash equivalents	1,597	1,930
Other current assets	19	31
Non-current assets	1,245	1,128
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	93	311
Other current liabilities	598	698
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	49	32
Net assets	2,121	2,048

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities (continued)

\$ '000	Macquarie Regional Library	
	2019	2018
Reconciliation of the carrying amount		
Opening net assets (1 July)	2,049	1,828
Profit/(loss) for the period	74	221
Closing net assets	2,123	2,049
Council's share of net assets (%)	14.0%	14.1%
Council's share of net assets (\$)	297	288
Statement of comprehensive income		
Income	2,962	2,883
Interest income	45	45
Depreciation and amortisation	(340)	(331)
Other expenses	(2,593)	(2,376)
Profit/(loss) from continuing operations	74	221
Profit/(loss) for the period	74	221
Total comprehensive income	74	221
Share of income – Council (%)	14.0%	16.7%
Profit/(loss) – Council (\$)	10	37
Total comprehensive income – Council (\$)	10	37

Accounting policy for joint arrangements**Joint ventures:**

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 Investments in Associates and Joint Ventures.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the council discontinues recognising its share of further losses.

The council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the council for the purposes of the consolidated financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
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(a) 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	2	286
Sports & Recreation	230	918
Other	508	–
Total commitments	740	1,204

These expenditures are payable as follows:

Within the next year	740	1,204
Total payable	740	1,204

(b) Operating lease commitments (non-cancellable)

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

Within the next year	25	15
Later than one year and not later than 5 years	27	7
Total non-cancellable operating lease commitments	52	22

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

Council utilises computer and copier equipment assets under operating lease.

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

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 participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The scheme's most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB 119 Employee Benefits and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purpose of AASB 119. 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 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.

As stated 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.

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 entity.

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

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, 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). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

Notes to the Financial Statements

for the year ended 30 June 2019

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2019 was \$ 177,916.79

The last valuation of the scheme was performed by Mr Richard Boyfield FIAA (AFS Licence # 411770) on 31/12/2018 and covers the period ended 30/06/18.

Council's expected contribution to the Fund for the next annual reporting period is \$106,161.88.

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

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

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

The 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.

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed around November/December 2019.

Council's additional lump sum contribution per annum of 0.13% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub 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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

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

Risk management

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

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

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

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

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.

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	1,659	1,035	1,659	1,035
Receivables	2,433	2,532	2,205	2,532
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	17,000	23,320	17,000	23,320
Fair value through profit and loss				
Investments				
– 'Held for trading'	5,573	–	5,573	–
Total financial assets	26,665	26,887	26,437	26,887
Financial liabilities				
Payables	1,558	884	1,558	884
Loans/advances	3,248	2,879	3,248	2,879
Total financial liabilities	4,806	3,763	4,806	3,763

Fair value is determined as follows:

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

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.
- **Liquidity risk** – the risk that the Council will not be able to pay its debts as and when they fall due.

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	557	557	(557)	(557)
Possible impact of a 1% movement in interest rates	225	225	(225)	(225)
2018				
Possible impact of a 10% movement in market values	507	507	(507)	(507)
Possible impact of a 1% movement in interest rates	210	210	(210)	(210)

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.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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.

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 and carries out credit checks on most non-rate debtors. There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

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	759	37	37	113	–	946
2018						
Gross carrying amount	322	245	325	–	–	892

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	1,411	32	1	70	24	1,538
Expected loss rate (%)	0.00%	0.00%	0.00%	38.00%	100.00%	3.29%
ECL provision	–	–	–	27	24	51
2018						
Gross carrying amount	1,135	419	14	85	11	1,664
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

continued on next page ...

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	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	30	1,528	–	–	1,558	1,558
Loans and advances	3.75%	–	495	2,345	408	3,248	3,248
Total financial liabilities		30	2,023	2,345	408	4,806	4,806
2018							
Trade/other payables	0.00%	25	859	–	–	884	884
Loans and advances	3.47%	–	495	2,345	487	3,327	2,879
Total financial liabilities		25	1,354	2,345	487	4,211	3,763

Loan agreement breaches

There have been no breaches to loan agreements during the reporting year.

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 28/06/2018 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	8,852	8,857	5	0% F
User charges and fees	2,688	3,063	375	14% F
- The increase in water usage revenue is due mostly to the prolonged drought.				
Interest and investment revenue	634	1,010	376	59% F
- The increase in Investment Revenue is due to the reallocation of investment funds to higher earning TCorp managed investments.				
Other revenues	926	472	(454)	(49)% U
- The underachievement is due to less income from agencies including RFS, Emergency Services, Private Works and no land sales for the year.				
Operating grants and contributions	7,691	7,649	(42)	(1)% U
Capital grants and contributions	3,293	3,390	97	3% F
Net gains from disposal of assets	-	43	43	∞ F
Joint ventures and associates – net profits	-	10	10	∞ 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	7,720	6,624	1,096	14% F
- The lower Employment costs are mostly due to high level of capitalised salaries (\$600k), reduction in employee entitlements provision due to retirements, lower FBT, training and other on-costs.				
Borrowing costs	107	93	14	13% F
- The lower costs are due to the new loan drawn much later in the financial year.				
Materials and contracts	4,444	5,480	(1,036)	(23)% U
Increase due mostly to acquitting operational grants (Drought Country Communities) and road material and gravel stock costs.				
Depreciation and amortisation	5,964	5,850	114	2% F
Other expenses	2,375	2,543	(168)	(7)% U
Revaluation decrement / impairment of IPP&E	-	249	(249)	∞ U
STATEMENT OF CASH FLOWS				
Net cash provided from (used in) operating activities	8,512	10,106	1,594	19% F
- increase in Operating Cashflow is due to increased grant revenue and reduced operating employee costs (capitalisation, entitlements and other on-costs).				
Net cash provided from (used in) investing activities	(15,078)	(9,851)	5,227	(35)% F
- Investing cashflow variance is due mostly to less capital expenditure on budgeted land development.				
Net cash provided from (used in) financing activities	369	369	-	0% F

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

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						
Financial assets						
Investments	6(b)					
– 'Held for trading/fair value through profit or loss'		30/06/19	5,574	–	–	5,574
Total financial assets			5,574	–	–	5,574
Infrastructure, property, plant and equipment						
	9(a)					
Operational land		30/06/18	–	–	4,150	4,150
Community land		30/06/18	–	–	1,758	1,758
Buildings – non-specialised		30/06/18	–	–	2,870	2,870
Buildings – specialised		30/06/18	–	–	16,660	16,660
Other structures		30/06/19	–	–	3,506	3,506
Roads		30/06/15	–	–	194,575	194,575
Bridges		30/06/15	–	–	18,909	18,909
Footpaths		30/06/15	–	–	1,789	1,789
Stormwater drainage		30/06/15	–	–	265	265
Water supply network		30/06/17	–	–	16,237	16,237
Sewerage network		30/06/17	–	–	18,760	18,760
Swimming pools		30/06/19	–	–	2,213	2,213
Other open space/recreational assets		30/06/19	–	–	2,891	2,891
Other infrastructure		30/06/15	–	–	3,506	3,506
Aerodrome		30/06/19	–	–	3,749	3,749
Total infrastructure, property, plant and equipment			–	–	291,838	291,838

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		30/06/14	–	–	3,927	3,927
Office equipment		30/06/14	–	–	483	483
Furniture and fittings		30/06/14	–	–	46	46
Operational land		30/06/18	–	–	4,150	4,150
Community land		30/06/18	–	–	1,758	1,758
Land under roads		30/06/13	–	–	–	–
Buildings – non-specialised		30/06/18	–	–	3,026	3,026
Buildings – specialised		30/06/18	–	–	16,544	16,544
Other structures		30/06/14	–	–	2,241	2,241
Roads		30/06/15	–	–	193,367	193,367
Bridges		30/06/15	–	–	19,152	19,152
Footpaths		30/06/15	–	–	1,783	1,783
Stormwater drainage		30/06/15	–	–	13,510	13,510
Water supply network		30/06/17	–	–	14,549	14,549
Sewerage network		30/06/17	–	–	18,529	18,529
Swimming pools		30/06/14	–	–	1,647	1,647
Other open space/recreational assets		30/06/14	–	–	1,702	1,702
Other infrastructure		30/06/15	–	–	237	237
Aerodrome		30/06/14	–	–	3,541	3,541
Total infrastructure, property, plant and equipment			–	–	300,192	300,192

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

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

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

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

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

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

Infrastructure, property, plant and equipment (IPP&E)**Plant and equipment, office equipment and furniture and fittings**

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value, with depreciation rates applicable to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors, mowers and motor vehicles.
- Office Equipment - Computer Servers, surveillance equipment, Software, photocopiers, radio equipment etc.
- Furniture & Fittings - Desks, Cabinets, Ergonomic chairs

Operational and community land

Operational Land is based on the Land Value provided by an external Valuer in 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

It is based on average unit rate based on the Land Value for similar properties, having regard to the highest and best use for the land. Operational Land is based on the Valuer land value of the actual market values in the Narromine Shire LGA. Community Land has been valued in 2017 using valuations of the Valuer General.

Buildings – non-specialised and specialised

Non-Specialised & Specialised Buildings values were provided by an external Valuer in 2018. The approach estimated the replacement cost for each building by componentising the building into significant parts. While all buildings were physically inspected and the unit rates based on square metres no market based evidence (Level 2) could not be established. As such these assets were classified as having been valued as Level 3 valuation inputs.

Other structures

Other Structures comprise of Telemetry Systems, and components related to Cemetery, sale yards, waste facilities, and the family day care etc. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors. Other Structures have been revalued externally during 2018/19 by AssetVal Pty Ltd.

Roads

Roads Externally valued during 14/15 by AssetVal Pty Ltd, major changes include giving road pavement and Seal a long life and a short life component, and separating the floodways which have shorter lives.

Market based evidence (level 2) were used for Gravel pavement, Seal, Culverts, Footpath, and K&G.

Bridges

Bridges Externally valued during 14/15 by AssetVal Pty Ltd, major changes include componentising bridges from one asset into components, Substructure, superstructure, abutments ect.

Major Culverts over 6m long were considered bridges and transferred from stormwater into bridges.

Footpaths

Footpaths Externally valued during 14/15 by AssetVal Pty Ltd,

Market based evidence (level 2) were used for concrete Footpaths and cycleways.

Stormwater drainage

Stormwater externally valued during 14/15 by AssetVal Pty Ltd, with previously unaccounted for assets now valued Market based evidence (level 2) were used for culverts, and K&G.

Water supply network

Assets in this class comprise of pipes, valves, pumps, bores, and reservoirs. The Water Network values were provided by an external valuer in 2017. The unit rates are based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. This asset class is indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water.

Sewerage network

Assets in this class comprise of Treatment Plants, Pumping stations, sewerage pipelines and Manholes. The Sewerage Network values were provided by an external valuer in 2017. The unit rates are based on linear metres of certain diameter pipes and prices per treatment item or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. This asset class is indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water.

Open space recreation

Assets within this class comprise playground equipment, softfall surfaces, shade structures, irrigation, fencing, lighting, furniture, sculptures and monuments etc. All Open Space Recreation Assets were revalued externally during 2018/19 by AssetVal Pty Ltd.

Aerodrome

Assets within this class comprise the Aerodrome sealed runways at Narromine, and the unsealed airstrip at Trangie along with associated furniture, signage, lighting, fencing, and control structures. All assets were valued externally during 2018/19 by AssetVal Pty Ltd.

Swimming pools

Assets within this class comprise the 50m 8 lane outdoor pool, and childrens pool at Narromine, and the 25m outdoor pool at Trangie with associated furniture, filtration systems etc. All assets were valued externally during 2018/19 by AssetVal Pty Ltd.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Operational Land	Community Land
2018					
Opening balance	3,589	616	63	3,818	1,874
Purchases (GBV)	1,296	260	–	–	–
Disposals (WDV)	(571)	–	–	–	–
Depreciation and impairment	(387)	(393)	(17)	–	(116)
Revaluation	–	–	–	332	–
Closing balance	3,927	483	46	4,150	1,758
2019					
Opening balance	3,927	483	46	4,150	1,758
Purchases (GBV)	1,136	–	–	–	–
Disposals (WDV)	(232)	–	–	–	–
Depreciation and impairment	(436)	(207)	(11)	–	–
Closing balance	4,395	276	35	4,150	1,758

\$ '000	Buildings non-specialised	Buildings specialised	Other structures	Roads	Bridges
2018					
Opening balance	2,564	15,840	2,169	192,259	18,590
Purchases (GBV)	7	780	175	3,300	805
Depreciation and impairment	(146)	(617)	(103)	(2,192)	(243)
Revaluation	601	541	–	–	–
Closing balance	3,026	16,544	2,241	193,367	19,152
2019					
Opening balance	3,026	16,544	2,241	193,367	19,152
Purchases (GBV)	29	1,093	1,179	3,486	–
Depreciation and impairment	(185)	(977)	(116)	(2,278)	(243)
Revaluation	–	–	201	–	–
Closing balance	2,870	16,660	3,505	194,575	18,909

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Footpaths	Stormwater drainage	Water supply network	Sewerage network	Swimming pools
2018					
Opening balance	1,855	13,674	12,947	18,240	1,578
Purchases (GBV)	6	39	1,851	341	110
Depreciation and impairment	(78)	(203)	(615)	(433)	(41)
Revaluation	–	–	366	381	–
Closing balance	1,783	13,510	14,549	18,529	1,647
2019					
Opening balance	1,783	13,510	14,549	18,529	1,647
Purchases (GBV)	84	275	1,947	381	639
Depreciation and impairment	(78)	(203)	(688)	(439)	(73)
Revaluation	–	–	429	289	–
Closing balance	1,789	13,582	16,237	18,760	2,213

\$ '000	Other open space/ recreational assets	Other infrastructure	Aerodrome	Total
2018				
Opening balance	1,759	247	3,599	295,281
Purchases (GBV)	82	–	168	9,220
Disposals (WDV)	–	–	–	(571)
Depreciation and impairment	(139)	(10)	(226)	(5,959)
Revaluation	–	–	–	2,221
Closing balance	1,702	237	3,541	300,192
2019				
Opening balance	1,702	237	3,541	300,192
Purchases (GBV)	1,138	38	27	11,452
Depreciation and impairment	(130)	(11)	(138)	(6,213)
Revaluation	181	–	319	1,419
Closing balance	2,891	264	3,749	306,618

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

b. The valuation process for level 3 fair value measurements

Fair Value- Valuation techniques

The valuation techniques prescribed by AASB 13 can be summarised as:

'Cost Approach': A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost).

Income Approach: Valuation technique that converts future amounts (cash flows inflows/outflows) to signal the current (i.e. discounted) amount.

The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

'Market Approach': A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

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 (i.e. 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:
Level 2 valuation process for some asset classes where the basis was Cost Approach under level 2 input which were determined based on, whereby maximising observable inputs and minimising unobservable inputs as below:

- Quoted prices for similar asset in active markets
- Current replacement cost concept
- Purchase price
- Useful life

Level 3 valuation process for some asset classes where the basis was Cost Approach, The inputs used for this technique were:

- Pattern of consumption
- Residual Value
- Asset Condition
- Unit rates
- Useful life

(5) 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	1,164	1,309
Post-employment benefits	97	110
Other long-term benefits	–	2
Total	1,261	1,421

(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						
Office Supplies	1	7	–	30 days	–	–
2018						
Office Supplies	1	15	–	30 days	–	–
1	Council makes ad hoc purchases from Stationery Store Online, a company which is controlled by a member of the KMP of the council. The total annual contract value is around \$11,000 and purchases are made in accordance with the Procurement policy and based on market rates.					
2	Council hired plant and equipment during the year from McCutcheon Agri Trust, a trust which has a KMP has an interest. Amounts were billed based on on normal rates for such supplies and services and were due and payable under normal payment terms following the Council's procurement process.					

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related Party Transactions (continued)

(c) Other related party transactions

\$ '000	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
2019						
Library Services	2	381	–	30 days	–	–
2018						
Library Services	2	382	–	30 days	–	–

3 Council has joined with Western Plains Regional Council and Warrumbungle Shire Council to form a Joint Venture arrangement called Macquarie Regional Library. Council contributes a proportion of the costs of the entity and receives a share of profits and net assets.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. 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

	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
S7.12 levies – under a plan	259	33	–	7	–	–	299	–
Total S7.11 and S7.12 revenue under plans	259	33	–	7	–	–	299	–
S64 contributions	216	–	–	5	–	–	221	–
Total contributions	475	33	–	12	–	–	520	–

S7.12 Levies – under a plan

S7.12 LEVIES – UNDER A PLAN

Drainage	10	–	–	–	–	–	10	–
Roads	8	–	–	–	–	–	8	–
Open space	26	–	–	–	–	–	26	–
Community facilities	215	33	–	7	–	–	255	–
Total	259	33	–	7	–	–	299	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	7,139	605	1,113
User charges and fees	1,419	1,278	366
Interest and investment revenue	855	92	63
Other revenues	457	15	–
Grants and contributions provided for operating purposes	7,634	15	–
Grants and contributions provided for capital purposes	3,390	–	–
Other income			
Net gains from disposal of assets	43	–	–
Share of interests in joint ventures and associates using the equity method	10	–	–
Total income from continuing operations	20,947	2,005	1,542
Expenses from continuing operations			
Employee benefits and on-costs	6,016	434	174
Borrowing costs	93	–	–
Materials and contracts	3,798	1,054	628
Depreciation and amortisation	4,928	483	439
Other expenses	2,516	–	27
Revaluation decrement /impairment of IPPE	249	–	–
Total expenses from continuing operations	17,600	1,971	1,268
Operating result from continuing operations	3,347	34	274
Net operating result for the year	3,347	34	274
Net operating result attributable to each council fund	3,347	34	274
Net operating result for the year before grants and contributions provided for capital purposes	(43)	34	274

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

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	(3,605)	628	4,636
Investments	19,078	1,667	1,828
Receivables	1,289	343	289
Inventories	854	–	–
Other	90	–	–
Total current assets	17,706	2,638	6,753
Non-current assets			
Receivables	274	199	39
Infrastructure, property, plant and equipment	271,669	18,201	19,131
Investments accounted for using the equity method	298	–	–
Total non-current assets	272,241	18,400	19,170
TOTAL ASSETS	289,947	21,038	25,923
LIABILITIES			
Current liabilities			
Payables	1,558	–	–
Income received in advance	227	–	–
Borrowings	390	–	–
Provisions	1,576	–	–
Total current liabilities	3,751	–	–
Non-current liabilities			
Borrowings	2,858	–	–
Provisions	194	–	–
Total non-current liabilities	3,052	–	–
TOTAL LIABILITIES	6,803	–	–
Net assets	283,144	21,038	25,923
EQUITY			
Accumulated surplus	114,445	11,456	10,444
Revaluation reserves	168,699	9,582	15,479
Council equity interest	283,144	21,038	25,923
Total equity	283,144	21,038	25,923

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 23(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}	195				
Total continuing operating revenue excluding capital grants and contributions ¹	20,785	0.94%	(0.88)%	18.72%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	13,028				
Total continuing operating revenue ¹	24,175	53.89%	53.43%	47.89%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions	14,180				
Current liabilities less specific purpose liabilities	2,852	4.97x	5.98x	5.38x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6,138				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	476	12.89x	12.68x	19.96x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,030				
Rates, annual and extra charges collectible	9,924	10.38%	11.61%	9.20%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	18,659				
Monthly payments from cash flow of operating and financing activities	1,216	15.34 mths	18.93 mths	19.90 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 23(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(0.66)%	(4.48)%	1.70%	10.82%	17.77%	23.37%	>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	46.03%	45.66%	99.25%	89.87%	100.00%	98.75%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.97x	5.98x	∞	∞	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10.31x	9.17x	∞	∞	∞	∞	>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	12.55%	11.46%	0.00%	9.45%	0.00%	14.02%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	11.01	16.84	∞	17.27	∞	60.21	>3.00
Payments from cash flow of operating and financing activities	mths	mths		mths		mths	mths

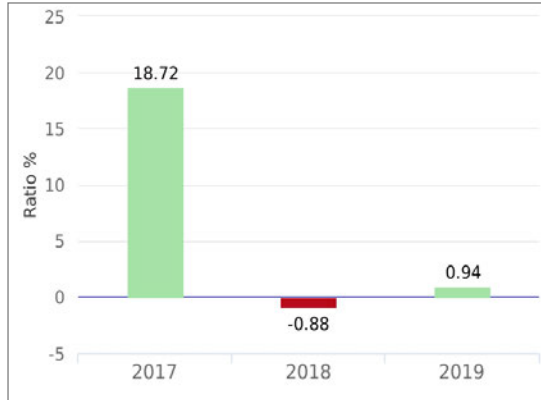
(1) - (2) Refer to Notes at Note 23a above.

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

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

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio	0.94%
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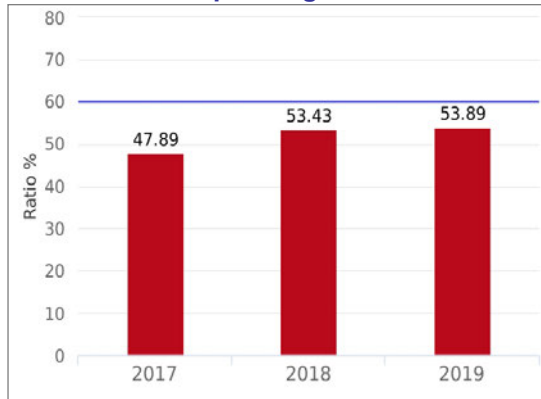
Council's Operating Performance Ratio is favourable (greater than 0%) indicating an operating surplus was made for the financial year.

Benchmark: — > 0.00%

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

Ratio achieves benchmark (Green)
Ratio is outside benchmark (Red)

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	53.89%
---------------	--------

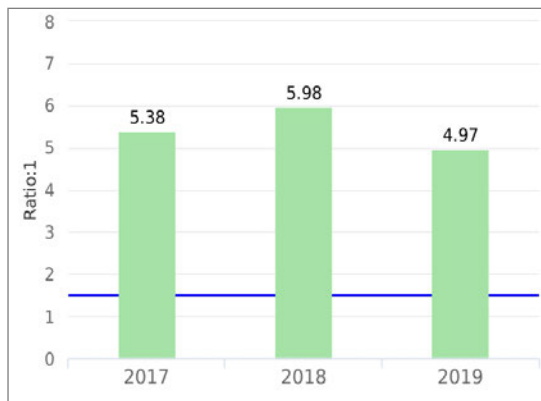
Council's ratio is 53.89 which indicates Council produces 53.89% of its own revenue. Whilst below the state-wide benchmark of 60% it is typical for a regional Council.

Benchmark: — > 60.00%

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

Ratio achieves benchmark (Green)
Ratio is outside benchmark (Red)

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	4.97x
---------------	-------

This indicates Council has more than sufficient working capital to meet its short term financial obligations.

Benchmark: — > 1.50x

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

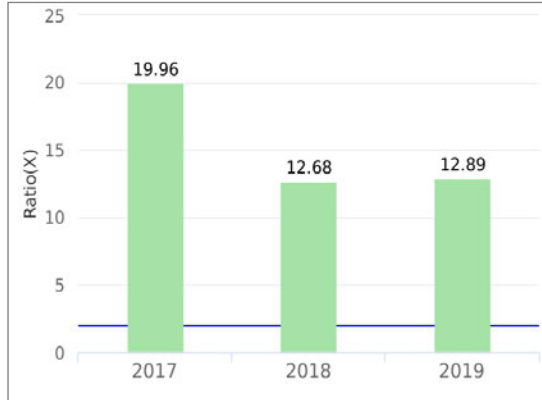
Ratio achieves benchmark (Green)
Ratio is outside benchmark (Red)

Notes to the Financial Statements

for the year ended 30 June 2019

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 12.89x

This ratio indicates Council's ability to service its debt is in excess of the OLG benchmark of 2.0 times indicating Council's operating cash surplus is many times greater than its loan repayments.

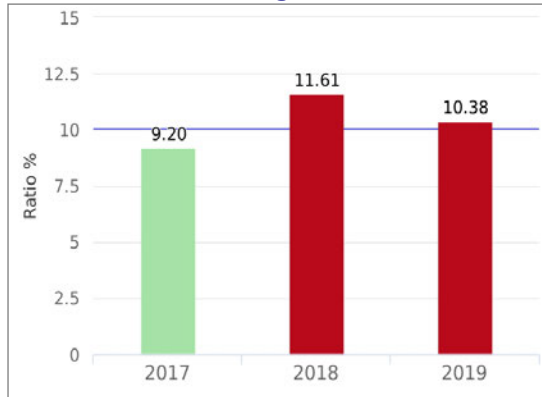
Benchmark: — > 2.00x

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 10.38%

Council's ratio of overdue rates and charges (10.38%) is greater than the OLG benchmark (10.00). While not within the OLG benchmark Council deems this acceptable given the drought conditions experienced across all ratepayers. This also an improvement on the previous year (11.61%).

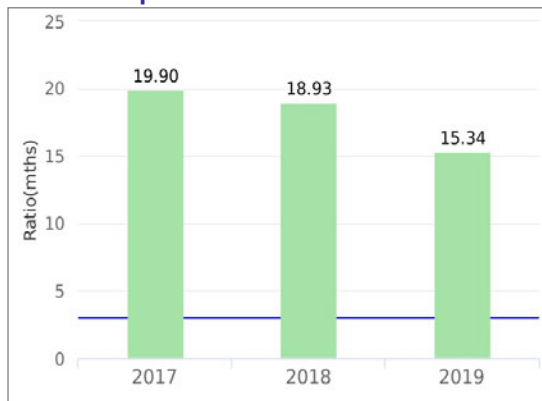
Benchmark: — < 10.00%

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 15.34 mths

Council has enough cash to operate for 15.34 months without the need to raise more cash. This is in excess of the OLG benchmark of 3.0 months.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Council information and contact details

Principal place of business:

124 Dandaloo Street
Narromine NSW 2821

Contact details

Mailing Address:

PO Box 115
Narromine NSW 2821

Telephone: 02 6889 9999

Facsimile: 02 6889 9998

Opening hours:

M-F 8:30 am to 5:00 pm

Internet: www.narromine.nsw.gov.au

Email: mail@narromine.nsw.gov.au

Officers

General Manager

Jane Redden

Responsible Accounting Officer

John Sevil

Public Officer

NSW Auditor General

Auditors

NSW Auditor General

Level 15

1 Margaret Street
Sydney NSW 2000

Elected members

Mayor

Cr Craig Davies

Deputy Mayor

Cr Dawn Collins

Cr Colin Hamilton

Cr James Craft

Cr Les Lambert

Cr Lyn Jablonski

Cr Mark Munro

Cr Robert McCutcheon

Cr Trudy Everingham

Other information

ABN: 99 352 328 405

General Purpose Financial Statements

for the year ended 30 June 2019

Independent Auditor's Report

Please upift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

General Purpose Financial Statements
for the year ended 30 June 2019

Independent Auditor's Report

Please upift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).

Narromine Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

*To enhance our Shire's image, lifestyle and environment
through effective leadership, community involvement and
commitment to service.*



Special Purpose Financial Statements

for the year ended 30 June 2019

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Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
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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).

Narromine 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:

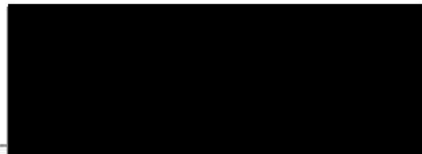
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

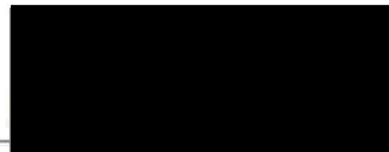
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

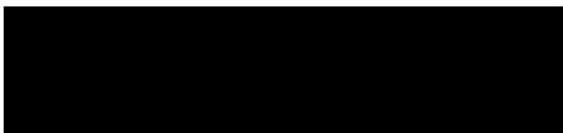
Signed in accordance with a resolution of Council made on 11 September 2019.



Craig Davies
Mayor
11 September 2019



Dawn Collins
Councillor
11 September 2019



Jane Redden
General Manager
11 September 2019



John Sevil
Responsible Accounting Officer
11 September 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	605	627
User charges	1,236	1,255
Fees	42	50
Interest	92	102
Grants and contributions provided for non-capital purposes	15	20
Other income	15	16
Total income from continuing operations	2,005	2,070
Expenses from continuing operations		
Employee benefits and on-costs	434	460
Materials and contracts	1,054	770
Depreciation, amortisation and impairment	483	616
Total expenses from continuing operations	1,971	1,846
Surplus (deficit) from continuing operations before capital amounts	34	224
Grants and contributions provided for capital purposes	–	211
Surplus (deficit) from continuing operations after capital amounts	34	435
Surplus (deficit) from all operations before tax	34	435
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(9)	(67)
SURPLUS (DEFICIT) AFTER TAX	25	368
Plus accumulated surplus	11,423	10,988
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	9	67
Closing accumulated surplus	11,457	11,423
Return on capital %	0.2%	1.4%
Subsidy from Council	206	198
Calculation of dividend payable:		
Surplus (deficit) after tax	25	368
Less: capital grants and contributions (excluding developer contributions)	–	(74)
Surplus for dividend calculation purposes	25	294
Potential dividend calculated from surplus	12	147

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	1,113	1,084
User charges	354	322
Liquid trade waste charges	12	13
Fees	–	15
Interest	63	70
Grants and contributions provided for non-capital purposes	–	19
Total income from continuing operations	1,542	1,523
Expenses from continuing operations		
Employee benefits and on-costs	174	181
Materials and contracts	628	553
Depreciation, amortisation and impairment	439	433
Other expenses	27	–
Total expenses from continuing operations	1,268	1,167
Surplus (deficit) from continuing operations before capital amounts	274	356
Surplus (deficit) from continuing operations after capital amounts	274	356
Surplus (deficit) from all operations before tax	274	356
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(75)	(107)
SURPLUS (DEFICIT) AFTER TAX	199	249
Plus accumulated surplus	10,169	9,813
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	75	107
Closing accumulated surplus	10,443	10,169
Return on capital %	1.4%	1.8%
Subsidy from Council	–	157
Calculation of dividend payable:		
Surplus (deficit) after tax	199	249
Less: capital grants and contributions (excluding developer contributions)	–	73
Surplus for dividend calculation purposes	199	322
Potential dividend calculated from surplus	99	161

Statement of Financial Position – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	628	1,772
Investments	1,667	2,431
Receivables	343	313
Total current assets	2,638	4,516
Non-current assets		
Receivables	199	202
Infrastructure, property, plant and equipment	18,201	16,062
Total non-current assets	18,400	16,264
TOTAL ASSETS	21,038	20,780
NET ASSETS	21,038	20,780
EQUITY		
Accumulated surplus	11,456	11,423
Revaluation reserves	9,582	9,357
TOTAL EQUITY	21,038	20,780

Statement of Financial Position – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	4,636	3,678
Investments	1,828	1,835
Receivables	289	264
Total current assets	6,753	5,777
Non-current assets		
Receivables	39	66
Infrastructure, property, plant and equipment	19,131	19,515
Total non-current assets	19,170	19,581
TOTAL ASSETS	25,923	25,358
NET ASSETS	25,923	25,358
EQUITY		
Accumulated surplus	10,444	10,169
Revaluation reserves	15,479	15,189
TOTAL EQUITY	25,923	25,358

Narromine Shire Council

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 SPFS 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 NCP.

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 NCP 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)

Narromine Shire Council Water Supply

Comprising the whole of the operations and net assets of the water supply activities of Council servicing the towns of Narromine, Trangie, and Tomingley.

Category 2

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

Narromine Shire Council Sewerage Service

Comprising the whole of the operations and net assets of the sewerage reticulation and treatment activities of Council servicing the towns of Narromine and Trangie.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Department of Industry (Dol) - Water, the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(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 Dol - Water, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to 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 NSW Office of 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 30%.

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 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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.

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 June 2019.

(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 DoI - Water guidelines and must not exceed:

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

In accordance with the DoI - 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 DoI - Water.

Special Purpose Financial Statements
for the year ended 30 June 2019

Please upift Council's Audit Report PDF (opinion) for inclusion in the SPFS report (via the Home screen).