

# Muswellbrook Shire Council

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

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*To do what is best for our community through leadership,  
excellent service and encouragement of sustainable  
development.*



# Muswellbrook Shire Council

## GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2019

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*To do what is best for our community through leadership,  
excellent service and encouragement of sustainable  
development.*



# General Purpose Financial Statements

for the year ended 30 June 2019

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## Overview

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

Street address  
suburb NSW 9999

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.muswellbrook.nsw.gov.au](http://www.muswellbrook.nsw.gov.au).

## General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### 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.



## Muswellbrook 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.

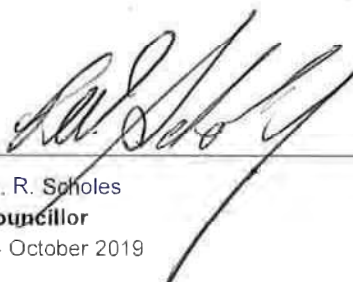
Signed in accordance with a resolution of Council made on 27 August 2019.



Cr. M. Rush

**Mayor**

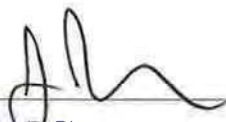
24 October 2019



Cr. R. Scholes

**Councillor**

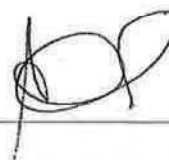
24 October 2019



Ms. E. Plesman

**General Manager**

24 October 2019



Mrs. N. Cowley

**Responsible Accounting Officer**

24 October 2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 <sup>1</sup>
<b>Income from continuing operations</b>				
<u>Revenue:</u>				
24,708	Rates and annual charges	3a	22,816	22,581
11,032	User charges and fees	3b	13,259	12,761
974	Interest and investment revenue	3c	1,922	1,747
6,639	Other revenues	3d	6,527	7,048
5,816	Grants and contributions provided for operating purposes	3e,3f	6,747	7,430
9,394	Grants and contributions provided for capital purposes	3e,3f	13,818	15,209
<u>Other income:</u>				
70	Net gains from the disposal of assets	5	—	—
—	Fair value increment on investment properties	10	—	116
—	Net share of interests in joint ventures and associates using the equity method	15	—	128
<b>58,633</b>	<b>Total income from continuing operations</b>		<b>65,089</b>	<b>67,020</b>
<b>Expenses from continuing operations</b>				
14,978	Employee benefits and on-costs	4a	14,419	14,946
3,014	Borrowing costs	4b	2,907	2,374
12,340	Materials and contracts	4c	12,546	10,944
11,427	Depreciation and amortisation	4d	12,382	10,838
3,454	Other expenses	4e	5,436	5,748
—	Net losses from the disposal of assets	5	209	127
—	Net share of interests in joint ventures and associates using the equity method	15	20	—
<b>45,213</b>	<b>Total expenses from continuing operations</b>		<b>47,919</b>	<b>44,977</b>
<b>13,420</b>	<b>Operating result from continuing operations</b>		<b>17,170</b>	<b>22,043</b>
<b>13,420</b>	<b>Net operating result for the year</b>		<b>17,170</b>	<b>22,043</b>
13,420	Net operating result attributable to council		17,170	22,043
<b>4,026</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>3,352</b>	<b>6,834</b>

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>17,170</b>	<b>22,043</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	2,160	(11,961)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>2,160</b>	<b>(11,961)</b>
<b>Total other comprehensive income for the year</b>		<b>2,160</b>	<b>(11,961)</b>
<b>Total comprehensive income for the year</b>		<b>19,330</b>	<b>10,082</b>
 Total comprehensive income attributable to Council		 19,330	 10,082

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

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

## Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	6,164	5,225
Investments	6(b)	30,000	14,324
Receivables	7	6,074	5,915
Inventories	8a	1,700	1,718
Other	8b	116	123
<b>Total current assets</b>		<b>44,054</b>	<b>27,305</b>
<b>Non-current assets</b>			
Investments	6(b)	22,834	34,000
Infrastructure, property, plant and equipment	9(a)	605,244	588,088
Investment property	10a	55,988	55,352
Investments accounted for using the equity method	15	213	233
<b>Total non-current assets</b>		<b>684,279</b>	<b>677,673</b>
<b>TOTAL ASSETS</b>		<b>728,333</b>	<b>704,978</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	6,512	6,232
Borrowings	11	21,494	4,159
Provisions	12	3,259	2,837
<b>Total current liabilities</b>		<b>31,265</b>	<b>13,228</b>
<b>Non-current liabilities</b>			
Borrowings	11	47,935	62,067
Provisions	12	9,153	9,033
<b>Total non-current liabilities</b>		<b>57,088</b>	<b>71,100</b>
<b>TOTAL LIABILITIES</b>		<b>88,353</b>	<b>84,328</b>
<b>Net assets</b>		<b>639,980</b>	<b>620,650</b>
<b>EQUITY</b>			
Accumulated surplus	13a	355,499	338,329
Revaluation reserves	13a	284,481	282,321
<b>Council equity interest</b>		<b>639,980</b>	<b>620,650</b>
<b>Total equity</b>		<b>639,980</b>	<b>620,650</b>

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

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

## Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 <sup>1</sup>		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		338,329	282,321	620,650	316,286	294,282	610,568
Net operating result for the year		17,170	–	17,170	22,043	–	22,043
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9(a)	–	2,160	2,160	–	(11,961)	(11,961)
<b>Other comprehensive income</b>		–	2,160	2,160	–	(11,961)	(11,961)
<b>Total comprehensive income</b>		<b>17,170</b>	<b>2,160</b>	<b>19,330</b>	<b>22,043</b>	<b>(11,961)</b>	<b>10,082</b>
<b>Equity – balance at end of the reporting period</b>		<b>355,499</b>	<b>284,481</b>	<b>639,980</b>	<b>338,329</b>	<b>282,321</b>	<b>620,650</b>

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

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

## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
	<u>Receipts</u>			
24,708	Rates and annual charges		23,315	23,506
17,433	User charges and fees		13,601	13,234
974	Investment and interest revenue received		2,098	2,137
15,210	Grants and contributions		20,484	22,288
–	Bonds, deposits and retention amounts received		250	2,087
2,683	Other		5,020	7,033
	<u>Payments</u>			
(14,001)	Employee benefits and on-costs		(14,133)	(15,225)
(15,716)	Materials and contracts		(12,110)	(11,021)
(3,014)	Borrowing costs		(2,620)	(2,016)
–	Bonds, deposits and retention amounts refunded		(260)	(96)
(3,454)	Other		(4,457)	(2,839)
24,823	<b>Net cash provided (or used in) operating activities</b>	14b	31,188	39,088
<b>Cash flows from investing activities</b>				
	<u>Receipts</u>			
–	Sale of investment securities		31,750	28,500
70	Sale of infrastructure, property, plant and equipment		304	246
	<u>Payments</u>			
–	Purchase of investment securities		(36,260)	(34,821)
(1,925)	Purchase of investment property		(636)	(33,321)
(31,651)	Purchase of infrastructure, property, plant and equipment		(28,572)	(41,144)
–	Purchase of real estate assets		(7)	(2)
(33,506)	<b>Net cash provided (or used in) investing activities</b>		(33,421)	(80,542)
<b>Cash flows from financing activities</b>				
	<u>Receipts</u>			
5,000	Proceeds from borrowings and advances		7,000	46,800
	<u>Payments</u>			
(4,376)	Repayment of borrowings and advances		(3,828)	(6,275)
624	<b>Net cash flow provided (used in) financing activities</b>		3,172	40,525
(8,059)	<b>Net increase/(decrease) in cash and cash equivalents</b>		939	(929)
–	Plus: cash and cash equivalents – beginning of year	14a	5,225	6,154
(8,059)	<b>Cash and cash equivalents – end of the year</b>	14a	6,164	5,225
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	52,834	48,324
(8,059)	<b>Total cash, cash equivalents and investments</b>		58,998	53,549

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

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These financial statements were authorised for issue by Council on 27/08/2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity for the purpose of preparing these financial statements.

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 19 – Material budget variations

and are clearly marked.

#### (a) New and amended standards adopted by Council

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 13.

#### (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:

- estimated fair values of investment properties – refer Note 10
- estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- estimated tip remediation provisions – refer Note 12
- employee benefit provisions – refer Note 12

#### Significant judgements in applying the council's accounting policies

- Impairment of receivables



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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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
- Commercial Buildings

##### (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.

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

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

#### Goods and Services Tax (GST)

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

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

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

#### New accounting standards and interpretations issued not yet effective

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

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

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

#### AASB 16 Leases

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/06/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$255,000 refer Note 16.

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

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

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

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

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

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

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

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

#### **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 (ie. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer similarly to income recognition in relation to performance obligations under AASB 15.

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

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.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).										
\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Functions or activities</b>										
Economic Prosperity	6,282	4,985	3,978	3,467	2,304	1,518	446	114	58,663	58,041
Social Equity and Inclusion	712	1,686	1,782	1,153	(1,070)	533	103	52	21,275	21,723
Environmental Sustainability	596	857	1,851	1,832	(1,255)	(975)	98	241	192	192
Cultural Vitality	1,342	999	5,428	5,200	(4,086)	(4,201)	805	465	45,094	41,914
Community Infrastructure	35,037	37,754	25,926	24,557	9,111	13,197	5,522	12,394	549,388	538,405
Community Leadership	21,120	20,739	8,954	8,768	12,166	11,971	3,317	3,207	53,720	44,703
Other	—	—	—	—	—	—	—	—	1	—
<b>Total functions and activities</b>	<b>65,089</b>	<b>67,020</b>	<b>47,919</b>	<b>44,977</b>	<b>17,170</b>	<b>22,043</b>	<b>10,291</b>	<b>16,473</b>	<b>728,333</b>	<b>704,978</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### Economic Prosperity

**Plan for Local Economic Prosperity** 1. Support Job growth. 2. Diversify the economy, facilitate the development of intensive agriculture and other growth industries, make the Shire a more attractive place to invest and do business. 3. Facilitate greater access to higher education and participation in the knowledge and creativity economy. 4. Develop Muswellbrook as a Regional Centre.

#### Social Equity and Inclusion

**Access to a wide range of community and government agencies appropriate for their age and needs.** 5. Continue to improve the affordability, liveability and amenity of the Shire's. 6. Stabilise the tenancy turnover in the Shire's social housing. 7. Build social inclusion and improve the delivery of social services. 8. Retention and expansion of quality and affordable child care services. 9. Facilitate opportunities to expand senior's living. 10. Further the process of reconciliation in the Shire.

#### Environmental Sustainability

**Environmental Sustainability to focus on the regeneration of mined land and urban riparian areas, increase our use of renewable energy and to monitor and manage our use of natural resources.** 11. Higher quality final landforms with shallower voids and more emphasis on progressive rehabilitation with local workforce participation. 12. Enhance native vegetation connectivity across the Upper Hunter. 13. Our local rivers and creeks are enhanced, utilised and valued. 14. Support initiatives which reduce the community's impact on the environment. 15. Support Federal and State initiatives to reduce the human impact on climate change.

#### Cultural Vitality

**Increase the local variety, availability and access to the arts and cultural experiences.** 16. Conserve the heritage and history of the Shire. 17. Facilitate options to improve cultural activities in the Shire. 18. Facilitate cultural activities and events which engage the community and visitors and which create a 'sense of place' and identity.

#### Community Infrastructure

**Expand on the infrastructure required for Muswellbrook to realise Regional Centre status, improve community facilities and improve accessibility to community facilities.** 19. Our community's infrastructure is planned well, is safe and reliable and provides required levels of service. Utility services are operated as distinct business units within Council. 20. A safe, secure and reliable water supply and sewerage services are provided to all residents that will ensure public health. 21. The road, footpath and cycleway networks are integrated and allow for the safe movement of residents around the Shire.

#### Community Leadership

**To improve the community's participation in decision making and implement business improvement initiatives to improve service delivery.** 22. Collaborative and responsive community leadership that meets the expectations and anticipates the needs of the community. 23. Genuine and well informed community participation in decision making. 24. A Council that is well managed, efficient and properly resourced and that is responsive to its communities and stakeholders. 25. A sustainable Council that is best practice employer providing safe, happy and productive workplace.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	4,994	4,670
Farmland	1,434	1,300
Mining	6,856	7,801
Business	1,359	1,110
<b>Rates levied to ratepayers</b>	<b>14,643</b>	<b>14,881</b>
Pensioner rate subsidies received	78	76
<b>Total ordinary rates</b>	<b>14,721</b>	<b>14,957</b>
<b>Annual charges</b>		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	2,354	2,170
Stormwater management services	157	156
Water supply services	1,563	1,465
Sewerage services	3,756	3,585
Waste management services (non-domestic)	157	143
<b>Annual charges levied</b>	<b>7,987</b>	<b>7,519</b>
Pensioner subsidies received:		
– Water	36	35
– Sewerage	36	35
– Domestic waste management	36	35
<b>Total annual charges</b>	<b>8,095</b>	<b>7,624</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>22,816</b>	<b>22,581</b>

Council has used 2017 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>(b) User charges and fees</b>		
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Water supply services	3,761	4,001
Sewerage services	751	698
<b>Total specific user charges</b>	<b>4,512</b>	<b>4,699</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Building regulation	102	105
Inspection services	16	40
Private works – section 67	18	8
Regulatory/ statutory fees	55	64
Section 10.7 certificates (EP&A Act)	64	85
Section 603 certificates	31	35
Town planning	27	21
DECCW levy recovered	1,601	1,807
Development/building control	230	230
Water and sewer related sales	464	473
Legal fees recovery – rates and charges (extra charges)	–	15
<b>Total fees and charges – statutory/regulatory</b>	<b>2,608</b>	<b>2,883</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Cemeteries	67	40
Community centres	53	56
Fire and emergency services levy (FESL) implementation	–	2
Leaseback fees – Council vehicles	27	36
Leisure centre	23	31
Library and art gallery	40	43
Park rents	29	36
Restoration charges	28	157
RMS (formerly RTA) charges (state roads not controlled by Council)	2,165	1,141
Swimming centres	566	565
Waste disposal tipping fees	2,907	2,859
Gym centre	100	91
Road vehicle permits	93	86
Other	41	36
<b>Total fees and charges – other</b>	<b>6,139</b>	<b>5,179</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>13,259</b>	<b>12,761</b>

**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
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	144	175
– Cash and investments	1,756	1,504
– Other	22	68
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>	<b><u>1,922</u></b>	<b><u>1,747</u></b>

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

Overdue rates and annual charges (general fund)	144	175
General Council cash and investments	989	590

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11	38	85
– Section 64	263	537
Water fund operations	374	320
Sewerage fund operations	114	40
<b><u>Total interest and investment revenue</u></b>	<b><u>1,922</u></b>	<b><u>1,747</u></b>

**Accounting policy for interest and investment revenue**

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

\$ '000	Notes	2019	2018
<b>(d) Other revenues</b>			
Rental income – investment property	10	5,814	5,435
Rental income – other council properties		232	197
Fines		41	30
Legal fees recovery – rates and charges (extra charges)		219	–
Legal fees recovery – other		45	88
Insurance claims recoveries		78	934
Insurance rebates		77	89
Investment Recoveries		–	275
Other		21	–
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>6,527</u></b>	<b><u>7,048</u></b>

**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.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first. Rental income is accounted for on a straight-line basis over the lease term.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards. Other income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

## 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
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	3,124	2,938	–	–
Financial assistance – local roads component	450	453	–	–
<b>Total general purpose</b>	<b>3,574</b>	<b>3,391</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Bushfire and emergency services	193	192	–	–
Community care	103	52	–	–
Economic development	51	–	396	114
Employment and training programs	–	34	–	–
Environmental programs	53	29	–	–
Heritage and cultural	75	72	1	101
LIRS subsidy	53	61	–	–
Recreation and culture	30	–	699	456
Street lighting	59	53	–	–
Transport (roads to recovery)	330	1,107	–	–
Transport (other roads and bridges funding)	233	216	4,156	1,383
Planning	44	48	–	–
Waste management	96	343	–	–
Sewerage services	–	–	–	8,640
Water Services	–	–	145	–
<b>Total specific purpose</b>	<b>1,320</b>	<b>2,207</b>	<b>5,397</b>	<b>10,694</b>
<b>Total grants</b>	<b>4,894</b>	<b>5,598</b>	<b>5,397</b>	<b>10,694</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	3,904	4,499	249	20
– State funding	990	1,100	5,148	10,674
– Other funding	–	(1)	–	–
	<b>4,894</b>	<b>5,598</b>	<b>5,397</b>	<b>10,694</b>



## 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
<b>(f) Contributions</b>					
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements		790	915	4,185	3,712
S 7.11 – contributions towards amenities/services		663	657	25	59
S 7.12 – fixed development consent levies		–	–	37	116
S 64 – water supply contributions		–	–	24	14
S 64 – sewerage service contributions		–	–	5	41
<b>Total developer contributions – cash</b>		<b>1,453</b>	<b>1,572</b>	<b>4,276</b>	<b>3,942</b>
<b>Total developer contributions</b>	23	<b>1,453</b>	<b>1,572</b>	<b>4,276</b>	<b>3,942</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Bushfire services		–	3	412	461
Community services		5	10	–	–
Heritage/cultural		4	6	–	–
Recreation and culture		275	87	30	47
Environmental officer/monitoring		–	31	–	–
Library operations		116	83	72	65
Waste		–	40	–	–
Roads and bridges		–	–	3,631	–
<b>Total other contributions – cash</b>		<b>400</b>	<b>260</b>	<b>4,145</b>	<b>573</b>
<b>Total other contributions</b>		<b>400</b>	<b>260</b>	<b>4,145</b>	<b>573</b>
<b>Total contributions</b>		<b>1,853</b>	<b>1,832</b>	<b>8,421</b>	<b>4,515</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>6,747</b>	<b>7,430</b>	<b>13,818</b>	<b>15,209</b>

**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*.

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
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## (g) Unspent grants and contributions

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

**Operating grants**

Unexpended at the close of the previous reporting period	677	879
<b>Add:</b> operating grants recognised in the current period but not yet spent	191	210
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(375)	(412)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>493</b>	<b>677</b>

**Capital grants**

Unexpended at the close of the previous reporting period	694	62
<b>Add:</b> capital grants recognised in the current period but not yet spent	677	1,397
<b>Less:</b> capital grants recognised in a previous reporting period now spent	—	(765)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>1,371</b>	<b>694</b>

**Contributions**

Unexpended at the close of the previous reporting period	22,390	21,451
<b>Add:</b> contributions recognised in the current period but not yet spent	4,433	6,137
<b>Less:</b> contributions recognised in a previous reporting period now spent	(4,189)	(5,198)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>22,634</b>	<b>22,390</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	12,230	12,401
Employee termination costs (where material – other than vested leave paid)	424	273
Travel expenses	386	460
Employee leave entitlements (ELE)	1,427	1,441
Superannuation	1,333	1,305
Workers' compensation insurance	520	365
Fringe benefit tax (FBT)	97	100
Payroll tax	82	96
Training costs (other than salaries and wages)	194	311
Sick leave insurance	2	1
Protective clothing	49	55
Staff appreciation	22	24
<b>Total employee costs</b>	<b>16,766</b>	<b>16,832</b>
Less: capitalised costs	(2,347)	(1,886)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>14,419</b>	<b>14,946</b>
Number of 'full-time equivalent' employees (FTE) at year end	157	166
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	171	186

**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 17 for more information.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		2,620	2,016
<b>Total interest bearing liability costs expensed</b>		<b>2,620</b>	<b>2,016</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	12	256	318
Interest applicable on interest free (and favourable) loans to Council		31	40
<b>Total other borrowing costs</b>		<b>287</b>	<b>358</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>2,907</b>	<b>2,374</b>

**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
<b>(c) Materials and contracts</b>		
Raw materials and consumables	9,924	9,319
Auditors remuneration <sup>2</sup>	80	105
<b>Legal expenses:</b>		
– Legal expenses: planning and development	5	43
– Legal expenses: other	1,395	516
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	43	52
Venue manager	10	10
Waste collection	1,089	899
<b>Total materials and contracts</b>	<b>12,546</b>	<b>10,944</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>12,546</b>	<b>10,944</b>

**Accounting policy for operating leases**

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

**1. Operating lease payments are attributable to:**

Computers	43	52
	<b>43</b>	<b>52</b>

**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	54	67
<b>Remuneration for audit and other assurance services</b>	<b>54</b>	<b>67</b>
<b>Total Auditor-General remuneration</b>	<b>54</b>	<b>67</b>

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

Audit and review of financial statements	–	11
– Other audit and assurance services: Internal Auditor	26	27
<b>Remuneration for audit and other assurance services</b>	<b>26</b>	<b>38</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>26</b>	<b>38</b>
<b>Total Auditor remuneration</b>	<b>80</b>	<b>105</b>

## 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			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,117	1,136
Office equipment		149	208
Furniture and fittings		121	95
Land improvements (depreciable)		125	117
<b>Infrastructure:</b>			
– Buildings – non-specialised		3	1
– Buildings – specialised		1,882	548
– Other structures		406	398
– Roads		3,753	3,696
– Bridges		608	607
– Footpaths		377	333
– Stormwater drainage		601	597
– Water supply network		1,695	1,637
– Sewerage network		1,378	1,328
<b>Other assets:</b>			
– Other		144	137
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	9(a), 12	23	–
<b>Total gross depreciation and amortisation costs</b>		<b>12,382</b>	<b>10,838</b>
<b>Total depreciation and amortisation costs</b>		<b>12,382</b>	<b>10,838</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>			
		<b>12,382</b>	<b>10,838</b>

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

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

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

**Impairment of non-financial assets**

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

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
<b>(e) Other expenses</b>		
Advertising	58	61
Bank charges	62	57
Cleaning	180	158
Community facility contribution	130	130
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	22	27
– NSW fire brigade levy	41	41
– NSW rural fire service levy	326	321
– Upper Hunter Weeds Authority	98	96
– Waste levy	1,660	2,068
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	142	139
Councillors' expenses (incl. mayor) – other (excluding fees above)	11	29
Donations, contributions and assistance to other organisations (Section 356)	72	79
Electricity and heating	1,166	1,103
Insurance	810	765
Postage	20	24
Printing and stationery	23	31
Street lighting	422	430
Telephone and communications	116	109
Valuation fees	51	55
<b>Total other expenses</b>	<b>5,436</b>	<b>5,748</b>
<b>TOTAL OTHER EXPENSES</b>	<b>5,436</b>	<b>5,748</b>

**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
<b>Plant and equipment</b>	9(a)		
Proceeds from disposal – plant and equipment		304	246
Less: carrying amount of plant and equipment assets sold/written off		(92)	(63)
<b>Net gain/(loss) on disposal</b>		<b>212</b>	<b>183</b>
<b>Infrastructure</b>	9(a)		
Less: carrying amount of infrastructure assets sold/written off		(421)	(310)
<b>Net gain/(loss) on disposal</b>		<b>(421)</b>	<b>(310)</b>
<b>Investments</b>	6(b)		
Proceeds from disposal/redemptions/maturities – investments		31,750	28,500
Less: carrying amount of investments sold/redeemed/matured		(31,750)	(28,500)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(209)</u></b>	<b><u>(127)</u></b>

**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
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	(106)	2,214
Cash-equivalent assets		
– Deposits at call	6,270	3,011
<b>Total cash and cash equivalents</b>	<b>6,164</b>	<b>5,225</b>

**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
<b>Investments</b>				
'held to maturity'	30,000	22,834	14,324	34,000
<b>Total Investments</b>	<b>30,000</b>	<b>22,834</b>	<b>14,324</b>	<b>34,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>36,164</b>	<b>22,834</b>	<b>19,549</b>	<b>34,000</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	17,000	3,000	13,324	5,500
NCD's, FRN's (with maturities > 3 months)	13,000	19,834	1,000	28,500
<b>Total</b>	<b>30,000</b>	<b>22,834</b>	<b>14,324</b>	<b>34,000</b>

**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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

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

#### Financial assets through profit or loss

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 for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

##### (b) Held to maturity investments

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

##### (c) Loans and receivables

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

##### (d) Available for sale financial assets

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

##### Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

##### Impairment of 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 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	36,164	22,834	19,549	34,000
<b>attributable to:</b>				
External restrictions	21,423	15,495	8,759	24,433
Internal restrictions	14,024	7,339	9,986	9,567
Unrestricted	717	–	804	–
	36,164	22,834	19,549	34,000

\$ '000	2019	2018
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## Details of restrictions

## External restrictions – included in liabilities

Specific purpose unexpended loans – sewer	204	–
<b>External restrictions – included in liabilities</b>	<b>204</b>	<b>–</b>

## External restrictions – other

Developer contributions – general	9,204	9,264
Developer contributions – water fund	7,145	6,981
Developer contributions – sewer fund	6,273	6,145
Specific purpose unexpended grants	1,719	1,371
Specific purpose unexpended grants-water fund	145	–
Water supplies	8,221	8,912
Sewerage services	962	282
Domestic waste management	345	237
Road Network Efficiency	2,700	–
<b>External restrictions – other</b>	<b>36,714</b>	<b>33,192</b>
<b>Total external restrictions</b>	<b>36,918</b>	<b>33,192</b>

## 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
<b>Internal restrictions</b>		
Plant and vehicle replacement	1,622	820
Infrastructure replacement	487	592
Employees leave entitlement	1,062	979
Mangoola Contingency	–	319
Deposits, retentions and bonds	2,652	2,662
Carpark replacement	113	113
Road works contingency	625	525
Land bank development	–	3
Building replacement	45	180
Art gallery	–	28
Administrative	3	60
Builders Rubble	61	61
Building Capacity	–	25
Carry over works 16/17 capital	–	184
Carry over works 17/18 operational	–	72
Carry over works 17/18 capital	–	1,279
Environmental	687	365
Heritage Matters	–	18
Infrastructure works	125	125
Recreation	346	655
Road closure	109	72
Stormwater management	594	594
Corporate Reserve	–	16
Waste Levy Aggregate (R&D)	61	128
Denman Hall – Insurance Claim	–	934
Financial Assistance Grant	1,819	1,719
Road Pavment Consumption Charge	56	29
Culture	46	46
Waste management centre	5,636	6,030
Drainage	143	143
Future Fund	290	42
Finance	–	68
Information Technology Strategy	–	241
Mine Affected Roads	426	426
Carryover Works 18/19 Operating	43	–
Carryover Works 18/19 Capital	1,543	–
Sustainability Reserve	185	–
SRV Reserve	1,140	–
Road Reserve	912	–
Economic Development	150	–
Bio Valley Study	35	–
Contingency Reserve	347	–
<b>Total internal restrictions</b>	<b>21,363</b>	<b>19,553</b>
<b>TOTAL RESTRICTIONS</b>	<b>58,281</b>	<b>52,745</b>

## 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
<b>Purpose</b>				
Rates and annual charges	1,476	—	1,975	—
User charges and fees	1,072	—	1,414	—
Accrued revenues				
– Interest on investments	169	—	345	—
Amounts due from other councils	218	—	167	—
Community enhancement	265	—	340	—
Government grants and subsidies	—	—	331	—
Net GST receivable	191	—	266	—
On site management system	1	—	18	—
RMS IPWO's	673	—	217	—
Waste depot charges	322	—	404	—
RMS – Routine Services	—	—	144	—
Commercial Properties – Rental.	194	—	345	—
Restart NSW	1,423	—	—	—
Other debtors	133	—	12	—
<b>Total</b>	<b>6,137</b>	<b>—</b>	<b>5,978</b>	<b>—</b>
<b>Less: provision of impairment</b>				
User charges and fees	(52)	—	(52)	—
Other debtors	(11)	—	(11)	—
<b>Total provision for impairment – receivables</b>	<b>(63)</b>	<b>—</b>	<b>(63)</b>	<b>—</b>
<b>TOTAL NET RECEIVABLES</b>	<b>6,074</b>	<b>—</b>	<b>5,915</b>	<b>—</b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Rates and availability charges	109	—	189	—
– Other	1,934	—	1,910	—
<b>Sewerage services</b>				
– Rates and availability charges	473	—	673	—
– Other	691	—	885	—
<b>Domestic waste management</b>	<b>—</b>	<b>—</b>	<b>165</b>	<b>—</b>
<b>Total external restrictions</b>	<b>3,207</b>	<b>—</b>	<b>3,822</b>	<b>—</b>
<b>Unrestricted receivables</b>	<b>2,867</b>	<b>—</b>	<b>2,093</b>	<b>—</b>
<b>TOTAL NET RECEIVABLES</b>	<b>6,074</b>	<b>—</b>	<b>5,915</b>	<b>—</b>

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	63	63
<b>Balance at the end of the period</b>	<b>63</b>	<b>63</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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#### 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.

##### Impairment

##### Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

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

None of the receivables that have been written off are subject to enforcement activity.

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

##### Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
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## (a) Inventories

## (i) Inventories at cost

Real estate for resale	1,506	—	1,499	—
Stores and materials	194	—	181	—
Other	—	—	38	—
<b>Total inventories at cost</b>	<b>1,700</b>	<b>—</b>	<b>1,718</b>	<b>—</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>1,700</u></b>	<b><u>—</u></b>	<b><u>1,718</u></b>	<b><u>—</u></b>

## (b) Other assets

Prepayments	116	—	123	—
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>116</u></b>	<b><u>—</u></b>	<b><u>123</u></b>	<b><u>—</u></b>

## Externally restricted assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
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## Water

Prepayments	—	—	5	—
<b>Total water</b>	<b>—</b>	<b>—</b>	<b>5</b>	<b>—</b>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
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<b>Total externally restricted assets</b>	<b>—</b>	<b>—</b>	<b>5</b>	<b>—</b>
<b>Total internally restricted assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total unrestricted assets</b>	<b>1,932</b>	<b>—</b>	<b>1,836</b>	<b>—</b>
<b><u>TOTAL INVENTORIES AND OTHER ASSETS</u></b>	<b><u>1,932</u></b>	<b><u>—</u></b>	<b><u>1,841</u></b>	<b><u>—</u></b>



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets (continued)

## (i) Other disclosures

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Details for real estate development</b>				
Residential	1,506	–	282	–
Industrial/commercial	–	–	1,217	–
<b>Total real estate for resale</b>	<b>1,506</b>	<b>–</b>	<b>1,499</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	1,506	–	1,499	–
<b>Total costs</b>	<b>1,506</b>	<b>–</b>	<b>1,499</b>	<b>–</b>
<b>Total real estate for resale</b>	<b>1,506</b>	<b>–</b>	<b>1,499</b>	<b>–</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	1,499	–	1,497	–
– Purchases and other costs	7	–	2	–
<b>Total real estate for resale</b>	<b>1,506</b>	<b>–</b>	<b>1,499</b>	<b>–</b>

## (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	1,099	760
	<b>1,099</b>	<b>760</b>

## 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.

**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 <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WMP transfers	Revaluation decrements to equity (ARR)		Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	26,850	—	26,850	6,477	4,832	—	—	(357)	—		37,803	—	37,803
Plant and equipment	15,892	(11,167)	4,725	1,335	1,069	(92)	(1,117)	37	—		17,132	(11,171)	5,961
Office equipment	3,121	(2,380)	741	210	212	—	(149)	100	—		3,643	(2,529)	1,114
Furniture and fittings	1,637	(879)	758	56	21	—	(121)	—	—		1,715	(1,000)	715
<b>Land:</b>													
— Operational land	8,779	—	8,779	—	498	—	—	—	—		9,277	—	9,277
— Community land	9,994	—	9,994	—	—	—	—	—	—		9,994	—	9,994
Land improvements — depreciable	5,601	(1,005)	4,596	66	—	—	(125)	26	—		5,693	(1,131)	4,562
<b>Infrastructure:</b>													
— Buildings — non-specialised	4,330	(2,202)	2,128	—	—	—	(3)	—	—		710	(610)	100
— Buildings — specialised	66,204	(26,173)	40,031	1,195	1,649	—	(1,882)	108	—		72,424	(29,298)	43,126
— Other structures	10,050	(2,629)	7,421	213	280	—	(406)	86	—		10,628	(3,031)	7,597
— Roads	373,626	(93,981)	279,645	4,534	1,723	(301)	(3,753)	—	—		379,356	(97,507)	281,849
— Bridges	60,078	(17,751)	42,327	624	—	(40)	(608)	—	—		60,645	(18,343)	42,302
— Footpaths	16,475	(4,021)	12,454	140	102	(80)	(377)	—	—		16,608	(4,369)	12,239
— Stormwater drainage	58,527	(21,116)	37,411	20	375	—	(601)	—	—		58,922	(21,717)	37,205
— Water supply network	99,648	(46,054)	53,594	1,314	354	—	(1,695)	—	877		102,958	(48,513)	54,445
— Sewerage network	90,083	(41,426)	48,657	337	31	—	(1,378)	—	1,283		92,417	(43,489)	48,928
<b>Other assets:</b>													
— Heritage collections	4,623	—	4,623	—	71	—	—	—	—		4,694	—	4,694
— Other	1,623	(1,397)	226	—	145	—	(144)	—	—		1,768	(1,540)	228
<b>Reinstatement, rehabilitation and restoration assets (refer Note 12):</b>													
— Tip assets	5,110	(1,982)	3,128	—	—	—	(23)	—	—		5,110	(2,005)	3,105
<b>Total Infrastructure, property, plant and equipment</b>	<b>862,251</b>	<b>(274,163)</b>	<b>588,088</b>	<b>16,521</b>	<b>11,362</b>	<b>(513)</b>	<b>(12,382)</b>	<b>—</b>	<b>2,160</b>		<b>891,497</b>	<b>(286,253)</b>	<b>605,244</b>

(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 <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WMP transfers	Revaluation increments to equity (ARR)		Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	15,685	—	15,685	547	21,397	—	—	(10,779)	—		26,850	—	26,850
Plant and equipment	14,650	(10,932)	3,718	1,241	964	(63)	(1,136)	—	—		15,892	(11,167)	4,725
Office equipment	2,805	(2,172)	633	20	296	—	(208)	—	—		3,121	(2,380)	741
Furniture and fittings	1,446	(785)	661	—	192	—	(190)	—	—		1,637	(879)	758
<b>Land:</b>													
— Operational land	8,384	—	8,384	—	318	—	—	—	77		8,779	—	8,779
— Community land	9,998	—	9,998	—	—	—	—	—	(4)		9,994	—	9,994
Land improvements — depreciable	4,638	(888)	3,750	631	180	—	(117)	151	—		5,601	(1,005)	4,596
<b>Infrastructure:</b>													
— Buildings — non-specialised	3,373	(573)	2,800	—	—	—	(1)	—	(671)		4,330	(2,202)	2,128
— Buildings — specialised	59,027	(5,036)	53,991	263	291	—	(548)	186	(14,152)		66,204	(26,173)	40,031
— Other structures	8,815	(2,255)	6,560	290	808	—	(398)	137	—		10,050	(2,629)	7,421
— Roads	361,233	(90,398)	270,835	3,857	179	(264)	(3,696)	8,733	—		373,626	(93,981)	279,645
— Bridges	59,966	(17,143)	42,823	87	25	—	(607)	—	—		60,078	(17,751)	42,327
— Footpaths	15,038	(3,704)	11,334	578	908	(46)	(333)	13	—		16,475	(4,021)	12,454
— Stormwater drainage	58,322	(20,518)	37,804	30	175	—	(597)	—	—		58,527	(21,116)	37,411
— Water supply network	93,286	(43,470)	49,816	2,246	657	—	(1,637)	1,397	1,114		99,648	(46,054)	53,594
— Sewerage network	85,904	(39,246)	46,658	1,530	111	—	(1,328)	162	1,524		90,083	(41,426)	48,657
<b>Other assets:</b>													
— Heritage collections	4,401	—	4,401	—	71	—	—	—	151		4,623	—	4,623
— Other	1,484	(1,260)	224	—	139	—	(137)	—	—		1,623	(1,397)	226
<b>Reinstatement, rehabilitation and restoration assets (refer Note 12):</b>													
— Tip assets	2,191	(1,959)	232	2,919	—	—	—	—	—		5,110	(1,982)	3,128
<b>Total Infrastructure, property, plant and equipment</b>	<b>810,646</b>	<b>(240,339)</b>	<b>570,307</b>	<b>14,239</b>	<b>26,711</b>	<b>(373)</b>	<b>(10,933)</b>	<b>—</b>	<b>(11,961)</b>		<b>862,251</b>	<b>(274,163)</b>	<b>588,088</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

**Accounting policy for infrastructure, property, plant and equipment**

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

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

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

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

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

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

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

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

**Land under roads**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

**Crown reserves**

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

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

**Rural Fire Service assets**

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

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

## 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
<b>Water supply</b>						
WIP	1,291	—	1,291	—	—	—
Plant and equipment	714	418	296	753	330	423
Office equipment	87	87	—	87	87	—
Furniture and fittings	21	16	5	21	15	6
Land						
— Operational land	575	—	575	575	—	575
Infrastructure	102,958	48,513	54,445	100,226	46,054	54,172
<b>Total water supply</b>	<b>105,646</b>	<b>49,034</b>	<b>56,612</b>	<b>101,662</b>	<b>46,486</b>	<b>55,176</b>
<b>Sewerage services</b>						
WIP	32,539	—	32,539	—	—	—
Plant and equipment	429	306	123	429	271	158
Office equipment	29	29	—	29	29	—
Furniture and fittings	2	2	—	2	2	—
Land						
— Operational land	1,142	—	1,142	1,142	—	1,142
— Community land	45	—	45	45	—	45
Infrastructure	92,417	43,489	48,928	115,524	41,426	74,098
<b>Total sewerage services</b>	<b>126,603</b>	<b>43,826</b>	<b>82,777</b>	<b>117,171</b>	<b>41,728</b>	<b>75,443</b>
<b>TOTAL RESTRICTED I, PP&amp;E</b>	<b>232,249</b>	<b>92,860</b>	<b>139,389</b>	<b>218,833</b>	<b>88,214</b>	<b>130,619</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Investment property

\$ '000	2019	2018
<b>(a) Investment property at fair value</b>		
<b>Investment property on hand</b>	<b>55,988</b>	<b>55,352</b>
<b>Reconciliation of annual movement:</b>		
<b>Opening balance</b>	<b>55,352</b>	<b>21,915</b>
– Acquisitions	–	33,187
– Capitalised expenditure – this year	637	134
– Net gain/(loss) from fair value adjustments	–	116
– Other movements	(1)	–
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>55,988</b>	<b>55,352</b>

**(b) Valuation basis**

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2018 revaluations were based on independent assessments made by: Property Valuations NSW with a market appraisal of each of the properties.

**(c) Contractual obligations at reporting date**

Refer to Note 16 for disclosures relating to any capital and service obligations that have been contracted.

**(d) Leasing arrangements – Council as lessor**

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	4,994	5,481
Later than 1 year but less than 5 years	6,712	14,032
Later than 5 years	1,866	1,242
<b>Total minimum lease payments receivable</b>	<b>13,572</b>	<b>20,755</b>

Generally for leases of a commercial nature the lease terms sought are greater than 5 years, with a restricted capital contribution, annual rental increases, net leases (outgoings recoverable), no option, and payable a month in advance.

**(e) Investment property income and expenditure – summary**

<b>Rental income from investment property:</b>		
– Minimum lease payments	5,814	5,435
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	–	(2,726)
<b>Net revenue contribution from investment property</b>	<b>5,814</b>	<b>2,709</b>
plus:		
<b>Fair value movement for year</b>	<b>–</b>	<b>116</b>
<b>Total income attributable to investment property</b>	<b>5,814</b>	<b>2,825</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Investment property (continued)

**Accounting policy for investment property**

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

## Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	1,833	–	1,422	–
Goods and services – capital expenditure	1,037	–	2,130	–
Security bonds, deposits and retentions	2,652	–	2,662	–
Other	990	–	18	–
<b>Total payables</b>	<b>6,512</b>	<b>–</b>	<b>6,232</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	21,494	47,935	4,159	62,067
<b>Total borrowings</b>	<b>21,494</b>	<b>47,935</b>	<b>4,159</b>	<b>62,067</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>28,006</u></b>	<b><u>47,935</u></b>	<b><u>10,391</u></b>	<b><u>62,067</u></b>

(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 18.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Water	885	2,674	1,201	1,522
Sewer	1,552	32,596	2,098	9,174
Domestic waste management	60	–	105	–
Payables and borrowings relating to externally restricted assets	2,497	35,270	3,404	10,696
<b>Total payables and borrowings relating to restricted assets</b>	<b>2,497</b>	<b>35,270</b>	<b>3,404</b>	<b>10,696</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>25,509</b>	<b>12,665</b>	<b>6,987</b>	<b>51,371</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>28,006</u></b>	<b><u>47,935</u></b>	<b><u>10,391</u></b>	<b><u>62,067</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings (continued)

\$ '000	2019	2018
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**(b) Current payables and borrowings not anticipated to be settled within the next twelve months**

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

Payables – security bonds, deposits and retentions	170	196
<b>Total payables and borrowings</b>	<b>170</b>	<b>196</b>

**(c) Changes in liabilities arising from financing activities**

	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	66,226	(3,829)	7,000	32	–	69,429
<b>TOTAL</b>	<b>66,226</b>	<b>(3,829)</b>	<b>7,000</b>	<b>32</b>	<b>–</b>	<b>69,429</b>

	as at 30/6/2017					as at 30/6/2018
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	25,661	(6,275)	46,800	40	–	66,226
<b>TOTAL</b>	<b>25,661</b>	<b>(6,275)</b>	<b>46,800</b>	<b>40</b>	<b>–</b>	<b>66,226</b>

\$ '000	2019	2018
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**(d) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities <sup>1</sup>	750	750
Credit cards/purchase cards	67	67
<b>Total financing arrangements</b>	<b>817</b>	<b>817</b>

**Undrawn facilities as at balance date:**

– Bank overdraft facilities	750	750
– Credit cards/purchase cards	62	67
<b>Total undrawn financing arrangements</b>	<b>812</b>	<b>817</b>

**Additional financing arrangements information****Breaches and defaults**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Payables and borrowings (continued)

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#### Accounting policy for payables and borrowings

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

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

#### Payables

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

#### Borrowings

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

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

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

#### Finance leases

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



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	1,551	–	1,466	–
Long service leave	1,635	354	1,308	490
Other leave	73	–	63	–
<b>Sub-total – aggregate employee benefits</b>	<b>3,259</b>	<b>354</b>	<b>2,837</b>	<b>490</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	8,799	–	8,543
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>8,799</b>	<b>–</b>	<b>8,543</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>3,259</u></b>	<b><u>9,153</u></b>	<b><u>2,837</u></b>	<b><u>9,033</u></b>

## (a) Provisions relating to restricted assets

## Externally restricted assets

Water	594	–	450	–
Sewer	588	–	282	–
Provisions relating to externally restricted assets	1,182	–	732	–
<b>Total provisions relating to restricted assets</b>	<b>1,182</b>	<b>–</b>	<b>732</b>	<b>–</b>
<b>Total provisions relating to unrestricted assets</b>	<b>2,077</b>	<b>9,153</b>	<b>2,105</b>	<b>9,033</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>3,259</u></b>	<b><u>9,153</u></b>	<b><u>2,837</u></b>	<b><u>9,033</u></b>

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

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

Provisions – employees benefits	2,342	1,972
	<u>2,342</u>	<u>1,972</u>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Provisions (continued)

## (c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
<b>2019</b>				
At beginning of year	1,466	1,798	63	3,327
Additional provisions	1,148	555	—	1,703
Amounts used (payments)	(1,063)	(364)	—	(1,427)
Other	—	—	10	10
<b>Total ELE provisions at end of period</b>	<b>1,551</b>	<b>1,989</b>	<b>73</b>	<b>3,613</b>
<b>2018</b>				
At beginning of year	1,477	1,860	59	3,396
Additional provisions	997	371	3	1,371
Amounts used (payments)	(1,008)	(433)	—	(1,441)
Other	—	—	1	1
<b>Total ELE provisions at end of period</b>	<b>1,466</b>	<b>1,798</b>	<b>63</b>	<b>3,327</b>

\$ '000	Other provisions	
	Asset remediation	Total
<b>2019</b>		
At beginning of year	8,543	8,543
Unwinding of discount	256	256
<b>Total other provisions at end of period</b>	<b>8,799</b>	<b>8,799</b>
<b>2018</b>		
At beginning of year	5,305	5,305
— Revised costs	2,920	2,920
Unwinding of discount	318	318
<b>Total other provisions at end of period</b>	<b>8,543</b>	<b>8,543</b>

## Nature and purpose of non-employee benefit provisions

## Asset remediation

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

## Accounting policy for provisions

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Provisions (continued)

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#### 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.

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

##### Restoration

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

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

##### Rehabilitation

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

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Provisions (continued)

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or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

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

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

#### **Self-insurance**

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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#### (a) Nature and purpose of reserves

##### **Infrastructure, property, plant and equipment revaluation reserve**

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

##### **Fair value through other comprehensive income reserve (FVOCI)**

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

#### (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 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

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

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

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

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

##### **Classification of financial assets**

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

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

##### **Measurement of equity instruments**

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

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

##### **Impairment of financial assets**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	6,164	5,225
<b>Balance as per the Statement of Cash Flows</b>		<b>6,164</b>	<b>5,225</b>

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

<b>Net operating result from Income Statement</b>	17,170	22,043
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	12,382	10,838
Net losses/(gains) on disposal of assets	209	127
Non-cash capital grants and contributions	(412)	(461)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– investment property	–	(116)
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)	31	40
Unwinding of discount rates on reinstatement provisions	256	318
Share of net (profits)/losses of associates/joint ventures using the equity method	19	(128)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Increase/(decrease) in other liabilities	962	1,947
Increase/(decrease) in payables	411	(102)
Increase/(decrease) in provision for employee benefits	286	(69)
Decrease/(increase) in inventories	25	25
Decrease/(increase) in other current assets	7	33
Increase/(decrease) in other accrued expenses payable	–	(210)
Increase/(decrease) in other provisions	–	2,920
Decrease/(increase) in receivables	(159)	1,883
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>31,187</b>	<b>39,088</b>

**(c) Non-cash investing and financing activities**

Other non-cash items (Rural Fire Service)	412	461
<b>Total non-cash investing and financing activities</b>	<b>412</b>	<b>461</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	(20)	128	213	233
<b>Total</b>	<b>(20)</b>	<b>128</b>	<b>213</b>	<b>233</b>

## Joint arrangements

## (i) Joint ventures

Council has incorporated the following joint ventures into its consolidated financial statements.

## (a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2019	2018
Strategic Services Australia Ltd	Joint Venture	Equity method	212	233
<b>Total carrying amounts – material joint ventures</b>			<b>212</b>	<b>233</b>

## (b) Details

Principal activity		Place of business
Strategic Services Australia Ltd	Local Government Services	Thornton

## (c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
Strategic Services Australia Ltd	4.0%	4.0%	4.0%	4.0%	8.0%	8.0%

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Interests in other entities (continued)

\$ '000	Strategic Services Australia Ltd	
	2019	2018
<b>(d) Summarised financial information for joint ventures</b>		
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,311	5,050
Other current assets	1,606	1,738
<b>Non-current assets</b>	327	472
<b>Current liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	1,399	1,299
Other current liabilities	842	452
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	20	40
<b>Net assets</b>	<b>4,983</b>	<b>5,469</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	5,886	2,885
Profit/(loss) for the period	(486)	3,001
<b>Closing net assets</b>	<b>5,400</b>	<b>5,886</b>
<b>Council's share of net assets (%)</b>	4.3%	4.3%
<b>Council's share of net assets (\$)</b>	212	232
<b>Statement of comprehensive income</b>		
Income	5,661	7,453
Depreciation and amortisation	(111)	(176)
Interest expense	–	(128)
Other expenses	(6,035)	(6,623)
<b>Profit/(loss) from continuing operations</b>	<b>(485)</b>	<b>526</b>
Profit/(loss) from discontinued operations	–	2,475
<b>Profit/(loss) for the period</b>	<b>(485)</b>	<b>3,001</b>
<b>Total comprehensive income</b>	<b>(485)</b>	<b>3,001</b>
<b>Share of income – Council (%)</b>	4.1%	4.3%
<b>Profit/(loss) – Council (\$)</b>	(20)	128
<b>Total comprehensive income – Council (\$)</b>	(20)	128
<b>Summarised Statement of cash flows</b>		
Cash flows from operating activities	255	(1,237)
Cash flows from investing activities	6	7,449
Cash flows from financing activities	–	(1,378)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>261</b>	<b>4,834</b>

**(e) Summarised financial information for individually immaterial joint ventures**

Council is a member of the Upper Hunter Weeds Authority Council, a body corporate established under the Local Government Act 1993 (NSW) to the control of Noxious Weeds. Council is one of three constituent members and does not control the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

Council is of the opinion that it does not control the above county council/s and accordingly these entities have not been consolidated or otherwise included within these financial statements.



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. 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**

Buildings	9,105	2,686
Plant and equipment	1,138	702
Road Infrastructure	2,942	35
Land	–	400
Sewerage Infrastructure	4,404	4,948
Land Improvements	497	42
Water Infrastructure	3,206	774
Other	2,327	4,372
<b>Total commitments</b>	<b>23,619</b>	<b>13,959</b>

**These expenditures are payable as follows:**

Within the next year	23,619	13,959
<b>Total payable</b>	<b>23,619</b>	<b>13,959</b>

**Sources for funding of capital commitments:**

Future grants and contributions	6,004	3,822
Unexpended grants	1,948	278
Externally restricted reserves	13,147	2,320
Internally restricted reserves	2,316	7,539
Unexpended loans	204	–
<b>Total sources of funding</b>	<b>23,619</b>	<b>13,959</b>

**Details of capital commitments**

Projects that have not been completed in the 2018/19 financial year but have capital commitments.

## (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	54	44
Later than one year and not later than 5 years	201	176
<b>Total non-cancellable operating lease commitments</b>	<b>255</b>	<b>220</b>

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

Muswellbrook Council has a printer agreement. The contract started on 1 February 2018 and finishes on the 31 January 2023..

**Conditions relating to finance and operating leases:**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 17. Contingencies and other assets/liabilities not recognised

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

*Description of the funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements.*

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 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018.

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

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

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

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

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

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

The plan is 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

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Contingencies and other assets/liabilities not recognised (continued)

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.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was 180,625.94. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Council's expected contribution to the plan for the next annual reporting period is \$159,795.84

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.

**(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.

*An indication of the level of participation of the entity in the plan compared with other participating entities.*

An employer's past service contribution per annum 0.18% as a percentage of the total past service contributions for all Pooled Employers (of \$40m for each year from 1 July 2018 to 30 June 2021) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group.

**(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 17. Contingencies and other assets/liabilities not recognised (continued)

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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.

#### (iii) Contribution to Muswellbrook Cinema

During 2014/15 Council made a conditional loan to the owners of the Muswellbrook Cinema with the aim of facilitating the establishment of the Cinema. The loan amount was \$650K and is only repayable in the event of the conditions set out in the agreement between the owners and Council are not met. The loan is secured by bank guarantees issued in favour of Council. The amount repayable decreases in each of the years between 2014/15 and 2019/20.

The cinema has met all the necessary requirements during 2018/19 and as such the value of the loan outstanding has been reduced to \$130K. The loan was issued in accordance with Council's Community Strategic Plan and after an appropriate period of public consultation.

### Related Assets and Liabilities Not Recognised

As a result of the Thomas Mitchell Drive Contribution Study and the planning and approval conditions related to that Council has an obligation to undertake road works on Thomas Mitchell Drive. These take the form of a completion of upgrading works, two reseals and rehabilitation. The reseals are planned for around 2023 and 2031 and the rehabilitation between 2035 and 2040.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 17. Contingencies and other assets/liabilities not recognised (continued)

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The costs of these works is estimated at \$9.74M in 2013 dollars. As the works are undertaken, coal mines deemed to be the major contributors to the need for the works are required to make monetary contribution toward the works. In total, these mines are required to pay 39.1% of the actual cost of the works.

As the works are completed the effected coal mines will be invoiced for their contributions based upon the costs of the work and their assessed impact on Thomas Mitchell Drive.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. 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
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	6,164	5,225	6,164	5,225
Receivables	6,074	5,915	6,074	5,915
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	52,834	48,324	53,308	48,833
<b>Total financial assets</b>	<b>65,072</b>	<b>59,464</b>	<b>65,546</b>	<b>59,973</b>
<b>Financial liabilities</b>				
Payables	6,512	6,232	6,512	6,232
Loans/advances	69,429	66,226	69,429	66,226
<b>Total financial liabilities</b>	<b>75,941</b>	<b>72,458</b>	<b>75,941</b>	<b>72,458</b>

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 it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

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

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

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
<b>2019</b>				
Possible impact of a 1% movement in interest rates	582	582	582	582
<b>2018</b>				
Possible impact of a 1% movement in interest rates	535	535	535	535



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

## (b) Credit risk

## Credit risk profile

## Receivables – rates and annual charges

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.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	–	888	241	252	95	1,476
<b>2018</b>						
Gross carrying amount	–	1,185	493	198	99	1,975

## 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
<b>2019</b>						
Gross carrying amount	1,871	650	520	390	1,230	4,661
<b>ECL provision</b>	–	–	–	–	55	55
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	4.50%	1.19%
<b>2018</b>						
Gross carrying amount	1,339	650	520	390	1,104	4,003
<b>ECL provision</b>	–	–	–	–	54	54
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	4.87%	1.34%



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. 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		
<b>2019</b>							
Trade/other payables	0.00%	2,652	2,882	–	–	5,534	6,512
Loans and advances – fixed	3.77%	43,552	1,702	6,725	17,450	69,429	69,429
<b>Total financial liabilities</b>		<b>46,204</b>	<b>4,584</b>	<b>6,725</b>	<b>17,450</b>	<b>74,963</b>	<b>75,941</b>
<b>2018</b>							
Trade/other payables	0.00%	2,662	3,570	–	–	6,232	6,232
Loans and advances – fixed	4.69%	50,189	2,768	14,062	2,313	69,332	66,226
<b>Total financial liabilities</b>		<b>52,851</b>	<b>6,338</b>	<b>14,062</b>	<b>2,313</b>	<b>75,564</b>	<b>72,458</b>

## Loan agreement breaches

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 12/06/2018 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 -----	
<b>REVENUES</b>				
Rates and annual charges	24,708	22,816	(1,892)	(8)% <b>U</b>
User charges and fees	11,032	13,259	2,227	20% <b>F</b>
This result is mainly due to higher than expected water user fees and charges. Also a major increase in the Individually priced work orders during this financial year.				
Interest and investment revenue	974	1,922	948	97% <b>F</b>
Interest on investment was increased during the financial year through the budget review process.				
Other revenues	6,639	6,527	(112)	(2)% <b>U</b>
Operating grants and contributions	5,816	6,747	931	16% <b>F</b>
This variation is mainly due to the early receipt of the 50% of the 2019/20 Financial Assistance Grant. These payments are recorded in the year of receipt rather than the year they pertain to as Council accepts control of the funds upon the receipt.				
Capital grants and contributions	9,394	13,818	4,424	47% <b>F</b>
This mainly resulted in council receiving additional grants and contributions during the 2018-19 financial year. The two major contributors to this result are the Resources for Regions grant and the Road Network Efficiency contribution.				
Net gains from disposal of assets	70	–	(70)	100% <b>U</b>
Differences between actual and budget relates to the Council's disposal of assets. This profit is unknown at the time of preparing the budget.				

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>EXPENSES</b>				
Employee benefits and on-costs	14,978	14,419	559	4% <b>F</b>
Borrowing costs	3,014	2,907	107	4% <b>F</b>
Materials and contracts	12,340	12,546	(206)	(2)% <b>U</b>
Depreciation and amortisation	11,427	12,382	(955)	(8)% <b>U</b>
Other expenses	3,454	5,436	(1,982)	(57)% <b>U</b>
This difference consists mainly of an increase in electricity costs over Council's activities. During the year these costs have been adjusted accordingly at the time of each quarterly budget reviews.				

<b>Net losses from disposal of assets</b>	–	209	(209)	∞ <b>U</b>
Differences between actual and budget relates to the Council's disposal of assets. This loss is unknown at the time of preparing the budget.				

<b>Joint ventures and associates – net losses</b>	–	20	(20)	∞ <b>U</b>
Differences between actual and budget related to the Council's joint venture. This expenditure is not included in Council's original budget, as the information was not available when the 2018/19 budget was prepared.				

## STATEMENT OF CASH FLOWS

<b>Net cash provided from (used in) operating activities</b>	24,823	31,188	6,365	26% <b>F</b>
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This results is due to the higher than expected receipt of grants and contributions funding. The major contributors was the Resources for Regions grant and the Road Network Efficiency contribution.

<b>Net cash provided from (used in) investing activities</b>	(33,506)	(33,421)	85	0% <b>F</b>
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<b>Net cash provided from (used in) financing activities</b>	624	3,172	2,548	408% <b>F</b>
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This has resulted from Council taking additional borrowings in 2018/19 financial year for a capital project to the original budget.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement

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

- Infrastructure, Property, Plant and Equipment.
- Investment Property.

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.

AASB113 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	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Investment property</b>	10					
Investment Properties		30/06/18	—	—	55,988	55,988
<b>Total investment property</b>			—	—	55,988	55,988
<b>Infrastructure, property, plant and equipment</b>	9(a)					
Plant and Equipment		30/06/19	—	—	5,961	5,961
Office Equipment		30/06/19	—	—	1,114	1,114
Furniture and Fittings		30/06/19	—	—	715	715
Operational Land		30/06/18	—	—	9,277	9,277
Community Land		30/06/18	—	—	9,994	9,994
Depreciable Land Improvements		30/06/16	—	—	4,562	4,562
Buildings – Non-Specialised		30/06/18	—	—	100	100
Buildings – Specialised		30/06/18	—	—	43,126	43,126
Other Structures		30/06/16	—	—	7,597	7,597
Roads		30/6/15	—	—	281,850	281,850
Bridges		30/6/15	—	—	42,302	42,302
Footpaths		30/6/15	—	—	12,239	12,239
Stormwater Drainage		30/6/15	—	—	37,205	37,205
Water Supply Network		30/6/16	—	—	54,445	54,445
Sewerage Network		30/6/16	—	—	48,928	48,928
Heritage Collections		30/6/18	—	—	4,694	4,694
Other		30/6/13	—	—	228	228
<b>Total infrastructure, property, plant and equipment</b>			—	—	564,337	564,337

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. 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	
<b>Investment property</b>	10					
Investment Properties		30/06/18	—	—	—	—
<b>Total investment property</b>			<b>—</b>	<b>—</b>	<b>55,352</b>	<b>55,352</b>
<b>Infrastructure, property, plant and equipment</b>	9(a)					
Plant and Equipment		30/06/19	—	—	4,725	4,725
Office Equipment		30/06/19	—	—	741	741
Furniture and Fittings		30/06/19	—	—	758	758
Operational Land		30/06/18	—	—	8,779	8,779
Community Land		30/06/18	—	—	9,994	9,994
Depreciable Land Improvements		30/06/16	—	—	4,596	4,596
Buildings – Non-Specialised		30/06/18	—	—	2,128	2,128
Buildings – Specialised		30/06/18	—	—	40,031	40,031
Other Structures		30/06/16	—	—	7,421	7,421
Roads		30/06/15	—	—	279,645	279,645
Bridges		30/06/15	—	—	42,327	42,327
Footpaths		30/06/15	—	—	12,454	12,454
Stormwater Drainage		30/06/15	—	—	37,411	37,411
Water Supply Network		30/06/16	—	—	53,594	53,594
Sewerage Network		30/06/16	—	—	48,657	48,657
Heritage Collections		30/06/18	—	—	4,623	4,623
Other		30/06/13	—	—	226	226
<b>Total infrastructure, property, plant and equipment</b>			<b>—</b>	<b>—</b>	<b>558,110</b>	<b>558,110</b>

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

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

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

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

**Financial assets**

Council's investments in the form of deposits and other notes held with financial institutions are valued at their face of par value. This value is adjusted where the security has been acquired at either a discount or a premium with that discount or premium being amortised over period between the acquisition and the maturity of the security. This valuation occurs based on the principle that Council has designated the securities as being "Held to Maturity". Accounts receivables are valued at their face value.

The key unobservable input is that Council has no motive to test the marketability of either its financial securities or its accounts receivable.

**Investment property**

The best evidence of fair value is the current price in an active market for similar assets. Investment Property is included in Level 3 of the hierarchy.

The key unobservable input is the estimated lease returns in which the valuations are based.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement (continued)

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The fair value is determined by an independent local real estate agent with the appropriate level of experience and a solid understanding of the market for local properties of this type. There has been no change to the valuation process during the reporting period.

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

##### Plant and Equipment, Office Equipment and Furniture and Fittings.

Plant and Equipment, Office Equipment and Furniture and Fittings are valued at cost and this is disclosed as the fair value in the Notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

The key unobservable inputs into the valuation are the remaining useful life and any residual value. Council reviews the value of these assets by taking into account the pattern of consumption, estimated remaining useful life and any residual value. There has been no change to the valuation process during the reporting period.

##### Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by Asset Val.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal. There has been no change to the valuation process during the reporting period.

##### Community Land

Valuations of all Council's Community Land and Council managed land were based on the Unimproved Capital Value as provided by the Valuer-General. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

##### Depreciable Land Improvements.

This asset class comprises land improvements such as spectator mounds, swales, berms, gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the replacement cost approach by experienced Council Engineers and Asset Management Staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. 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. As such, these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

##### Buildings - Non specialised and Specialised.

Buildings were valued by Asset Val in June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected, inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

##### Other Structures.

This asset class comprises infrastructure such as dog leash free areas, ancillary waste facilities, fences, carparks and skateparks.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement (continued)

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The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. 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. As such, these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

#### Roads, Bridges and Footpaths

This asset class comprises infrastructure including the Road Carriageway, Footpaths, Guardrails, Kerb and Gutter, Retaining walls, Bridges and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other infrastructure within this class. These valuations for the asset class have been based on calculations carried out internally by qualified and experienced Council staff.

The cost approach was utilised with inputs such as the estimated pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there was some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

#### Drainage Infrastructure

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with Office of Local Government Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

#### Water Supply and Sewerage Network

Assets within these classes include the mains, pump stations, access pits, reservoirs and treatment plants which enable the treatment and reticulation of potable water and the collection and treatment of waste water. Mains are valued in accordance with the NSW Reference Rates Manual issued by the NSW Office of Water, which is based on extensive data collected in relation to expected replacement cost of water and sewer mains. All other items are valued in accordance with their replacement cost. Valuations are undertaken internally by experienced and qualified Council staff. Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

#### Heritage Assets

Assets within this class comprise of Council's Art Collection. The collection is independently valued with the most recent valuation being completed in 2018.



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Operational Land	Community Land
<b>2018</b>					
<b>Opening balance</b>	3,718	633	661	8,384	9,998
Purchases (GBV)	2,206	316	192	318	—
Disposals (WDV)	(63)	—	—	—	—
Depreciation and impairment	(1,136)	(208)	(95)	—	—
Revaluation Increments	—	—	—	77	(4)
<b>Closing balance</b>	<b>4,725</b>	<b>741</b>	<b>758</b>	<b>8,779</b>	<b>9,994</b>
<b>2019</b>					
<b>Opening balance</b>	4,725	741	758	8,779	9,994
Purchases (GBV)	2,408	422	78	498	—
Disposals (WDV)	(92)	—	—	—	—
Depreciation and impairment	(1,117)	(149)	(121)	—	—
Work in progress transfers	37	100	—	—	—
<b>Closing balance</b>	<b>5,961</b>	<b>1,114</b>	<b>715</b>	<b>9,277</b>	<b>9,994</b>

\$ '000	Depreciable land improvements	Buildings non-specialised	Building specialised	Other structures	Roads
<b>2018</b>					
<b>Opening balance</b>	3,750	2,800	53,991	6,560	270,835
Purchases (GBV)	812	—	554	1,099	4,036
Disposals (WDV)	—	—	—	—	(264)
Depreciation and impairment	(117)	(1)	(548)	(375)	(3,695)
Revaluation Increments	—	(671)	(14,152)	—	—
Work in progress transfers	151	—	186	137	8,733
<b>Closing balance</b>	<b>4,596</b>	<b>2,128</b>	<b>40,031</b>	<b>7,421</b>	<b>279,645</b>
<b>2019</b>					
<b>Opening balance</b>	4,596	2,128	40,031	7,421	279,645
Purchases (GBV)	65	—	2,844	496	6,259
Disposals (WDV)	—	—	—	—	(301)
Depreciation and impairment	(125)	(3)	(1,882)	(406)	(3,753)
Revaluation Increments	—	(2,025)	2,025	—	—
Work in progress transfers	26	—	108	86	—
<b>Closing balance</b>	<b>4,562</b>	<b>100</b>	<b>43,126</b>	<b>7,597</b>	<b>281,850</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

\$ '000	Bridges	Footpaths	Stormwater drainage	Water supply network	Sewerage network
<b>2018</b>					
Opening balance	42,823	11,334	37,804	49,816	46,658
Purchases (GBV)	112	1,486	204	2,904	1,641
Disposals (WDV)	—	(46)	—	—	—
Depreciation and impairment	(608)	(333)	(597)	(1,637)	(1,328)
Revaluation Increments	—	—	—	1,114	1,524
Work in progress transfers	—	13	—	1,397	162
<b>Closing balance</b>	<b>42,327</b>	<b>12,454</b>	<b>37,411</b>	<b>53,594</b>	<b>48,657</b>
<b>2019</b>					
Opening balance	42,327	12,454	37,411	53,594	48,657
Purchases (GBV)	623	242	395	1,669	366
Disposals (WDV)	(40)	(80)	—	—	—
Depreciation and impairment	(608)	(377)	(601)	(1,695)	(1,378)
Revaluation Increments	—	—	—	877	1,283
<b>Closing balance</b>	<b>42,302</b>	<b>12,239</b>	<b>37,205</b>	<b>54,445</b>	<b>48,928</b>

\$ '000	Other minor classes	Total
<b>2018</b>		
Opening balance	4,625	554,390
Purchases (GBV)	210	16,090
Disposals (WDV)	—	(373)
Depreciation and impairment	(137)	(10,815)
Revaluation Increments	—	(12,112)
Work in progress transfers	151	10,930
<b>Closing balance</b>	<b>4,849</b>	<b>558,110</b>
<b>2019</b>		
Opening balance	4,849	558,110
Purchases (GBV)	217	16,582
Disposals (WDV)	—	(513)
Depreciation and impairment	(144)	(12,359)
Revaluation Increments	—	2,160
Work in progress transfers	—	357
<b>Closing balance</b>	<b>4,922</b>	<b>564,337</b>

## (4) Highest and best use

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Related Party Transactions

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#### (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
<b>Compensation:</b>		
Short-term benefits	649	724
Post-employment benefits	76	75
Other long-term benefits	15	6
Termination benefits	—	71
<b>Total</b>	<b>740</b>	<b>876</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Related Party Transactions (continued)

## (b) Other transactions with KMP and their related parties

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

Nature of the transaction \$ '000	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
<b>2019</b>					
Upper Hunter Weeds Authority – Contribution	98	–	Annually	–	–
Contribution from Upper Hunter Weeds Authority	35	–	Annually	–	–
Local Government Training Institute – Training Services	24	–	7 days	–	–
Hunter Council Inc. – Training Services	43	–	7 days	–	–
Bush Regeneration Works	143	–	21 days	–	–
<b>2018</b>					
Upper Hunter Weeds Authority – Contribution	96	–	Annually	–	–
Contribution from Upper Hunter Weeds Authority	39	–	Annually	–	–
Local Government Training Institute – Training Services	31	–	7 days	–	–
Hunter Council Inc. – Training Services	52	–	7 days	–	–
Bush Regeneration Works	294	–	21 days	–	–

## Note 22. Events occurring after the reporting date

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

- The project finalisation date for the Reuse Water Treatment Works has been extended to mid 2019-20 financial year.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. 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						as at 30/6/2019	
		Contributions received during the year						
\$ '000	Opening Balance	Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Drainage	197	–	–	4	–	–	201	–
Roads	863	22	–	18	(599)	–	304	–
Parking	2	–	–	–	–	–	2	–
Open space	377	–	–	7	(6)	–	378	–
Community facilities	75	–	–	1	–	–	76	–
Tourism	54	–	–	1	(18)	–	37	–
Bushfire	103	3	–	2	–	–	108	–
Social Infrastructure	108	3	–	2	(92)	–	21	–
<b>S7.11 contributions – under a plan</b>	<b>1,779</b>	<b>28</b>	<b>–</b>	<b>35</b>	<b>(715)</b>	<b>–</b>	<b>1,127</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>19</b>	<b>37</b>	<b>–</b>	<b>1</b>	<b>(57)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>1,798</b>	<b>65</b>	<b>–</b>	<b>36</b>	<b>(772)</b>	<b>–</b>	<b>1,127</b>	<b>–</b>
S7.11 not under plans	7,466	5,653	–	–	(5,029)	(13)	8,077	–
S64 contributions	13,126	29	–	263	–	–	13,418	–
<b>Total contributions</b>	<b>22,390</b>	<b>5,747</b>	<b>–</b>	<b>299</b>	<b>(5,801)</b>	<b>(13)</b>	<b>22,622</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018		Contributions received during the year		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)
S7.11 Contributions – under a plan									
CONTRIBUTION PLAN									
Drainage	197	–	–	–	4	–	–	201	–
Roads	863	22	–	–	18	(599)	–	304	–
Parking	2	–	–	–	–	–	–	2	–
Open space	377	–	–	–	7	(6)	–	378	–
Community facilities	75	–	–	–	1	–	–	76	–
Tourism	54	–	–	–	1	(18)	–	37	–
Bushfire	103	3	–	–	2	–	–	108	–
Social Infrastructure	108	3	–	–	2	(92)	–	21	–
Total	1,779	28	–	–	35	(715)	–	1,127	–

### S7.12 Levies – under a plan

<b>CONTRIBUTION PLAN</b>									
S94A Levies	19		37	–	1	(57)	–	–	–
<b>Total</b>	<b>19</b>		<b>37</b>	<b>–</b>	<b>1</b>	<b>(57)</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018		Contributions received during the year		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)
S7.11 Contributions – not under a plan									
VOLUNTARY PLANNING AGREEMENTS									
Roads	116		790	–	–	(906)	–	–	
Community facilities	5,722		4,185	–	–	(3,049)	(13)	6,845	
Recreation	993		580	–	–	(502)	–	1,071	
Wybong Uplands Strategy	454		–	–	–	(454)	–	–	
Education	181		–	–	–	(20)	–	161	
Environment	–		98	–	–	(98)	–	–	
Total	7,466		5,653	–	–	(5,029)	(13)	8,077	

### S64 contributions

#### S64 contributions

Water	6,981	24	–	140	–	–	7,145	–
Sewer	6,145	5	–	123	–	–	6,273	–
<b>Total</b>	<b>13,126</b>	<b>29</b>	<b>–</b>	<b>263</b>	<b>–</b>	<b>–</b>	<b>13,418</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24. Financial result and financial position by fund

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	17,498	1,563	3,755
User charges and fees	8,220	4,288	751
Interest and investment revenue	1,100	554	268
Other revenues	5,965	202	360
Grants and contributions provided for operating purposes	6,675	36	36
Grants and contributions provided for capital purposes	13,644	169	5
<b>Other income</b>			
Net gains from disposal of assets	(14)	14	–
<b>Total income from continuing operations</b>	<b>53,088</b>	<b>6,826</b>	<b>5,175</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	12,373	1,306	740
Borrowing costs	2,021	121	765
Materials and contracts	8,982	2,288	1,276
Depreciation and amortisation	9,235	1,753	1,394
Other expenses	4,831	346	259
Net losses from the disposal of assets	209	–	–
Share of interests in joint ventures and associates using the equity method	20	–	–
<b>Total expenses from continuing operations</b>	<b>37,671</b>	<b>5,814</b>	<b>4,434</b>
<b>Operating result from continuing operations</b>	<b>15,417</b>	<b>1,012</b>	<b>741</b>
<b>Net operating result for the year</b>	<b>15,417</b>	<b>1,012</b>	<b>741</b>
<b>Net operating result attributable to each council fund</b>	<b>15,417</b>	<b>1,012</b>	<b>741</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>1,773</b>	<b>843</b>	<b>736</b>

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

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6,164	–	–
Investments	25,178	3,448	1,374
Receivables	2,867	2,043	1,164
Inventories	1,700	–	–
Other	116	–	–
<b>Total current assets</b>	<b>36,025</b>	<b>5,491</b>	<b>2,538</b>
<b>Non-current assets</b>			
Investments	4,706	12,063	6,065
Receivables	(1,307)	1,307	–
Infrastructure, property, plant and equipment	465,771	56,676	82,797
Investments accounted for using the equity method	213	–	–
Investment property	55,988	–	–
<b>Total non-current assets</b>	<b>525,371</b>	<b>70,046</b>	<b>88,862</b>
<b>TOTAL ASSETS</b>	<b>561,396</b>	<b>75,537</b>	<b>91,400</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	5,979	265	268
Borrowings	20,542	310	642
Provisions	2,668	297	294
<b>Total current liabilities</b>	<b>29,189</b>	<b>872</b>	<b>1,204</b>
<b>Non-current liabilities</b>			
Borrowings	30,300	1,337	16,298
Provisions	9,153	–	–
<b>Total non-current liabilities</b>	<b>39,453</b>	<b>1,337</b>	<b>16,298</b>
<b>TOTAL LIABILITIES</b>	<b>68,642</b>	<b>2,209</b>	<b>17,502</b>
<b>Net assets</b>	<b>492,754</b>	<b>73,328</b>	<b>73,898</b>
<b>EQUITY</b>			
Accumulated surplus	260,099	39,685	55,715
Revaluation reserves	232,655	33,643	18,183
<b>Council equity interest</b>	<b>492,754</b>	<b>73,328</b>	<b>73,898</b>
<b>Total equity</b>	<b>492,754</b>	<b>73,328</b>	<b>73,898</b>

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

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



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24. Financial result and financial position by fund (continued)

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

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

Details of individual internal loans	Council ID / Ref
Borrower (by purpose)	General Fund
Lender (by purpose)	Water Fund
Date of minister's approval	17/06/2010
Date raised	30/06/2010
Term (years)	25 Years
Dates of maturity	30/06/2035
Rate of interest	6%
Amount originally raised	1,750,000
Total repaid during year (principal and interest)	63,623
<b>Principal outstanding at end of year</b>	<b>1,374,057</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018      2017		Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	<b>3,581</b>	<b>6.98%</b>	13.03%	8.12%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>51,271</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>44,338</b>	<b>68.12%</b>	65.83%	70.28%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>65,089</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>18,325</b>	<b>0.73x</b>	2.02x	5.30x	>1.50x
Current liabilities less specific purpose liabilities	<b>25,074</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>18,870</b>	<b>2.80x</b>	2.30x	4.91x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>6,735</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>1,476</b>	<b>5.91%</b>	7.70%	14.92%	<10.00%
Rates, annual and extra charges collectible	<b>24,968</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>26,164</b>	<b>8.39 mths</b>	7.70 mths	10.30 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	<b>3,117</b>				

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

\$ '000	General Indicators <sup>3</sup>		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 <sup>1,2</sup>	5.08%	13.91%	12.66%	9.24%	14.24%	10.99%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	61.38%	69.77%	97.00%	99.28%	99.21%	35.15%	>60.00%
Total continuing operating revenue <sup>1</sup>							
3. Unrestricted current ratio							
Current assets less all external restrictions	0.73x	2.02x	6.30x	2.73x	2.11x	0.77x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	2.27x	2.00x	22.45x	5.94x	3.78x	3.80x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	7.51%	5.42%	0.00%	12.56%	0.00%	18.58%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.39	4.97	∞	15.92	∞	20.88	>3.00
Payments from cash flow of operating and financing activities	mths	mths		mths		mths	mths

(1) - (2) Refer to Notes at Note 25a above.

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



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Muswellbrook Shire Council

To the Councillors of the Muswellbrook Shire Council

### Opinion

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

In my opinion:

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

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Furqan Yousuf

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY



Cr Martin Rush  
Mayor  
Muswellbrook Shire Council  
PO Box 152  
MUSWELLBROOK NSW 2333

Contact: Furqan Yousuf  
Phone no: 02 9275 7470  
Our ref: D1925286/1756

29 October 2019

Dear Mayor

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

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

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

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

**INCOME STATEMENT**

**Operating result**

	<b>2019</b>	<b>2018</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	22.8	22.6	0.9
Grants and contributions revenue	20.6	22.6	8.8
Operating result for the year	17.2	22.0	21.8
Net operating result before capital grants and contributions	3.4	6.8	50.0

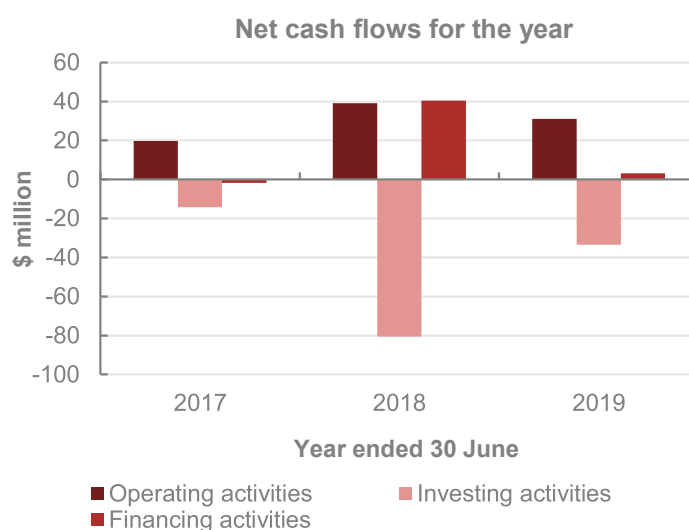
The Council's net operating result before capital grants and contributions was a surplus of \$3.4 million, which was \$3.4 million lower than the 2017–18 net operating result. This was mainly due to a decrease in total income and increase in total expenses from continuing operations for 2018–19.

The operating result for the year was a surplus of \$17.2 million, which was \$4.8 million lower than the 2017–18 operating result. The decrease is mainly attributable to:

- decrease in grants and contributions revenue by \$2.1 million relating to specific purpose grants
- increase in depreciation expense by \$1.6 million mainly relating to specialised buildings
- increase in materials and contracts expense by \$1.6 million relating to increased spending on raw materials, consumables and other legal costs.

## STATEMENT OF CASH FLOWS

- The Council's cash and cash equivalents was \$6.2 million (\$5.2 million for the year ended 30 June 2018). There was net increase in cash and cash equivalents of \$1.0 million at 30 June 2019.
- The Council has reported net cash inflows from its operating activities over the past three years. The decrease in operating cash inflows in 2018–19 is mainly due to a decrease in grants and contributions revenue and an increase in total operating expenses.
- Net cash outflows from the investing activities decreased by \$47.1 million compared to prior year. This was mainly due to purchase of investment property in 2017–18.
- Net cash outflows from the financing activities represent the proceeds from borrowings of \$7.0 million and repayments of borrowings of \$3.8 million.





## FINANCIAL POSITION

### Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	36.9	33.2	<ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have increased by \$3.7 million primarily due to an increase in available cash balance relating to Road Network Efficiency projects.</li> <li>Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The increase in the internal restrictions of \$1.7 million is mainly due to newly restricted funds for Carryover Works, SRV Reserve and Road Reserve.</li> <li>The Council's unrestricted cash balance of \$0.7 million at 30 June 2019 is available to provide liquidity for day-to-day operations of the Council.</li> </ul>
Internal restrictions	21.3	19.6	
Unrestricted	0.7	0.8	
<b>Cash and investments</b>	<b>58.9</b>	<b>53.6</b>	

### Debt

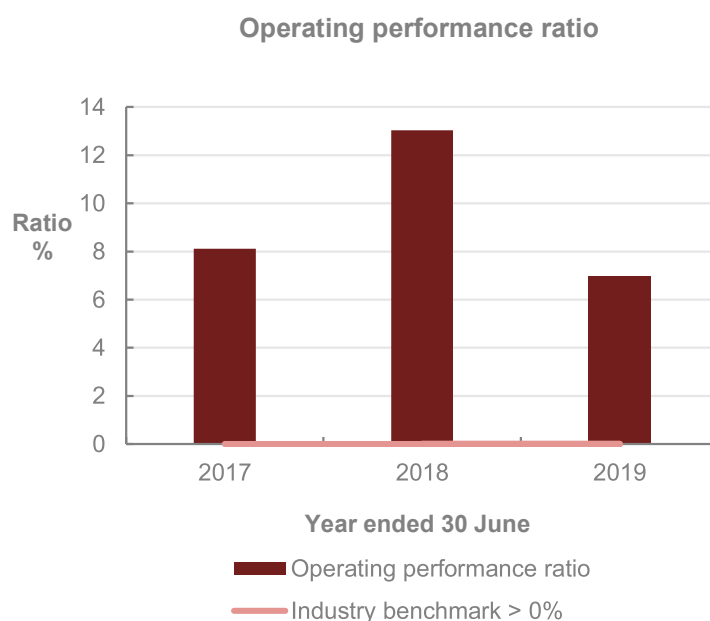
The Council has \$69.4 million of borrowings as at 30 June 2019 (2018: \$66.3 million)

The Council has an accumulated drawdown facility limit of \$750,000 as at 30 June 2019 (2018: \$750,000) of which remained unutilised at the year-end.

## PERFORMANCE

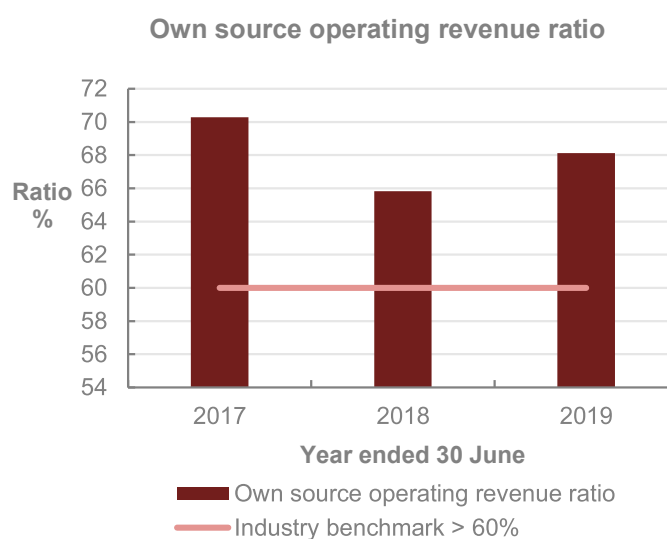
### Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than zero per cent.
- The Council achieved the OLG benchmark for operating performance ratio for the past three years.
- The deterioration in operating performance ratio compared to the prior year is mainly due to an increase in Councils operating expenses.



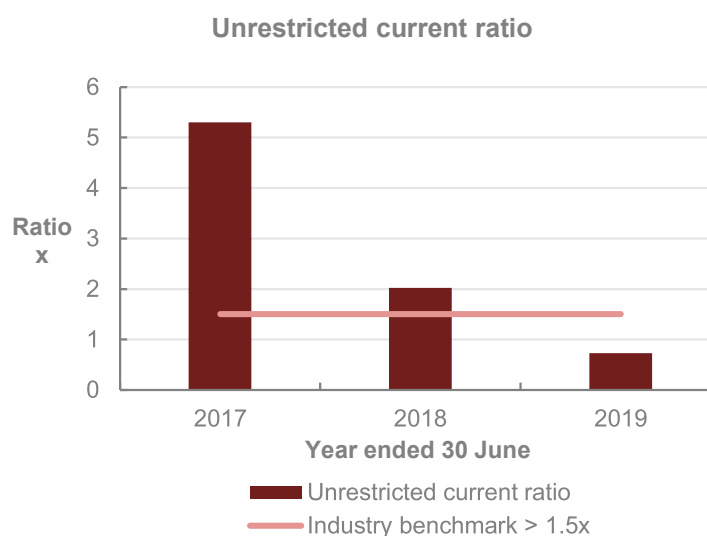
## Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 68.1% is above the industry benchmark of 60%. This indicates that the Council has a diversified source of income and does not have an overly strong reliance on operating grants and contributions.
- The improvement in own source revenue ratio was mainly due to a reduction in revenue from grants and contributions.



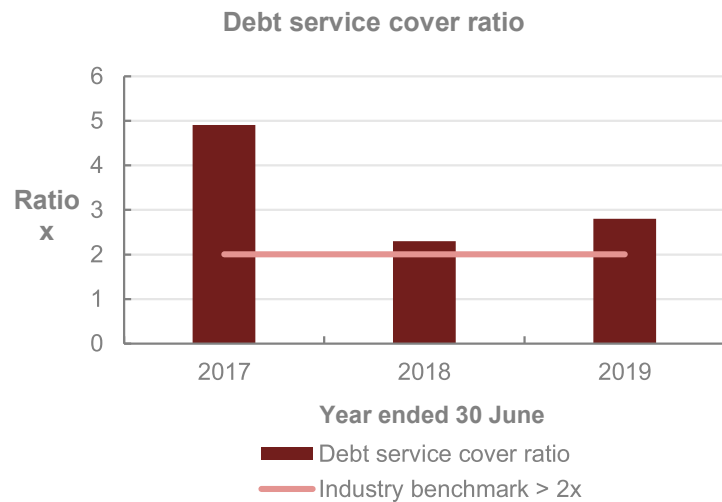
## Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.
- The Council's liquidity ratio of 0.7 is below the industry benchmark minimum of greater than 1.5 times. This indicates that the Council may not have sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has deteriorated from prior year mainly due to the maturity of bank loans.



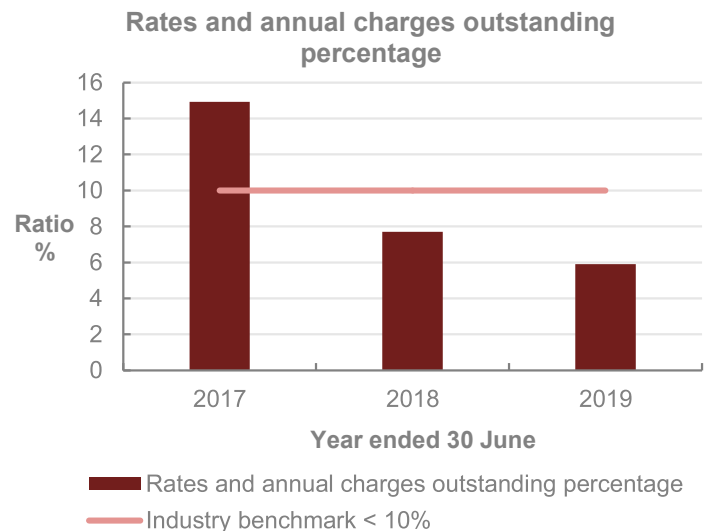
## Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.
- The Council's debt service cover ratio of 2.8 times is above the industry benchmark of greater than 2 times.
- The increase in the ratio in the current year was due to the reduction in principal repayments on bank loans.



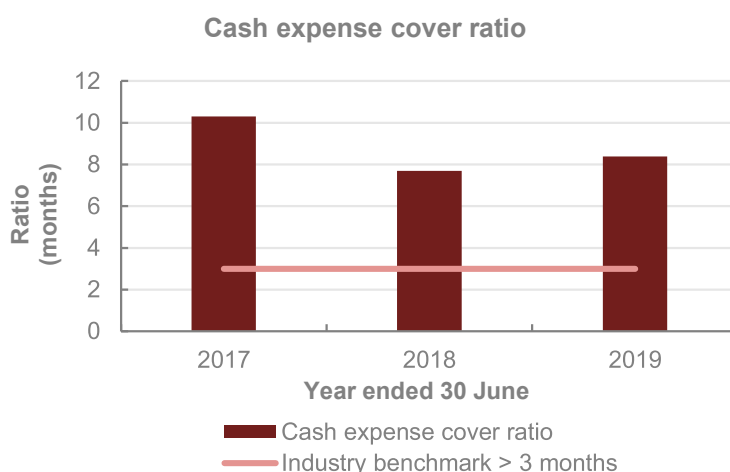
## Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional councils.
- The Council's rates and annual charges outstanding percentage of 5.9% is within the benchmark of less than 10% for regional councils.
- Over the past two years, the Council's collection procedures have operated effectively to collect more than 90 per cent of the rates and annual charges revenue within the receivable due dates.



## Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the former OLG is greater than three months.
- The Council's cash expense cover ratio was 8.4 months, which is above the industry benchmark of greater than 3 months. This indicates that the Council had the capacity to cover 8.4 months of operating cash expenditure without additional cash inflows at 30 June 2019.
- The cash expense cover ratio increased compared with prior year due to maturing term deposits.



## Infrastructure, property, plant and equipment renewals

The Council has renewed (excluding capital works in progress) \$10.0 million of assets in 2018–19 financial year, compared to \$10.8 million (excluding capital works in progress and tip assets) of assets in the prior year.

## OTHER MATTERS

### New accounting standards implemented

Application period	Overview
<b>AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'</b>	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> <li>• a simplified model for classifying and measuring financial assets</li> <li>• a new method for calculating impairment</li> <li>• a new type of hedge accounting that more closely aligns with risk management.</li> </ul> <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 13.</p>

## Legislative compliance

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

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

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements.
- staff provided all accounting records and information relevant for the audit.



Furqan Yousuf  
Delegate of the Auditor-General for New South Wales

cc: Ms Fiona Plesman, General Manager  
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Muswellbrook Shire Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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*To do what is best for our community through leadership,  
excellent service and encouragement of sustainable  
development.*



## Special Purpose Financial Statements

for the year ended 30 June 2019

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<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>13</b>

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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).

## Muswellbrook 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 27 August 2019.



Cr. M. Rush  
Mayor  
24 October 2019



Cr. R. Scholes  
Councillor  
24 October 2019



Ms. F. Plesman  
General Manager  
24 October 2019



Mrs. N. Cowley  
Responsible Accounting Officer  
24 October 2019



# Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	1,563	1,465
User charges	4,288	4,487
Interest	554	605
Grants and contributions provided for non-capital purposes	36	35
Profit from the sale of assets	14	18
Other income	202	216
<b>Total income from continuing operations</b>	<b>6,657</b>	<b>6,826</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,306	1,301
Borrowing costs	121	139
Materials and contracts	2,288	2,729
Depreciation, amortisation and impairment	1,753	1,684
Other expenses	346	342
<b>Total expenses from continuing operations</b>	<b>5,814</b>	<b>6,195</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>843</b>	<b>631</b>
Grants and contributions provided for capital purposes	169	14
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,012</b>	<b>645</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,012</b>	<b>645</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(232)	(174)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>780</b>	<b>471</b>
<b>Plus accumulated surplus</b>	<b>38,673</b>	<b>38,028</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	232	174
<b>Closing accumulated surplus</b>	<b>39,685</b>	<b>38,673</b>
<b>Return on capital %</b>	<b>1.7%</b>	<b>1.4%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>681</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	780	471
Less: capital grants and contributions (excluding developer contributions)	(169)	(14)
<b>Surplus for dividend calculation purposes</b>	<b>611</b>	<b>457</b>
<b>Potential dividend calculated from surplus</b>	<b>306</b>	<b>229</b>

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	3,755	3,585
User charges	685	636
Liquid trade waste charges	66	62
Interest	268	173
Grants and contributions provided for non-capital purposes	36	35
Other income	360	269
<b>Total income from continuing operations</b>	<b>5,170</b>	<b>4,760</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	740	924
Borrowing costs	765	320
Materials and contracts	1,276	1,411
Depreciation, amortisation and impairment	1,394	1,336
Calculated taxation equivalents	–	8
Other expenses	259	246
<b>Total expenses from continuing operations</b>	<b>4,434</b>	<b>4,245</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>736</b>	<b>515</b>
Grants and contributions provided for capital purposes	5	8,681
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>741</b>	<b>9,196</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>741</b>	<b>9,196</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(202)	(142)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>539</b>	<b>9,054</b>
<b>Plus accumulated surplus</b>	<b>54,974</b>	<b>45,770</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	7	8
– Corporate taxation equivalent	202	142
<b>Closing accumulated surplus</b>	<b>55,722</b>	<b>54,974</b>
<b>Return on capital %</b>	<b>1.8%</b>	<b>1.1%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>1,149</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	539	9,054
Less: capital grants and contributions (excluding developer contributions)	(5)	(8,681)
<b>Surplus for dividend calculation purposes</b>	<b>534</b>	<b>373</b>
<b>Potential dividend calculated from surplus</b>	<b>267</b>	<b>187</b>

# Income Statement – Commercial Buildings

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>Income from continuing operations</b>		
User charges	6,048	5,591
<b>Total income from continuing operations</b>	<b>6,048</b>	<b>5,591</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	176	160
Borrowing costs	1,571	1,376
Materials and contracts	1,274	1,121
Depreciation, amortisation and impairment	821	298
Other expenses	1,306	662
<b>Total expenses from continuing operations</b>	<b>5,148</b>	<b>3,617</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>900</b>	<b>1,974</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>900</b>	<b>1,974</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>900</b>	<b>1,974</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(248)	(543)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>652</b>	<b>1,431</b>
<b>Plus accumulated surplus</b>	30,508	17,581
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	248	543
<b>Add:</b>		
– Subsidy paid/contribution to operations	2,714	10,953
<b>Closing accumulated surplus</b>	<b>34,122</b>	<b>30,508</b>
<b>Return on capital %</b>	<b>9.9%</b>	<b>17.2%</b>

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	3,448	4,027
Receivables	2,043	2,099
Other	–	5
<b>Total current assets</b>	<b>5,491</b>	<b>6,131</b>
<b>Non-current assets</b>		
Investments	12,063	11,866
Receivables	1,307	1,438
Infrastructure, property, plant and equipment	56,676	55,176
<b>Total non-current assets</b>	<b>70,046</b>	<b>68,480</b>
<b>TOTAL ASSETS</b>	<b>75,537</b>	<b>74,611</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	265	784
Borrowings	310	417
Provisions	297	450
<b>Total current liabilities</b>	<b>872</b>	<b>1,651</b>
<b>Non-current liabilities</b>		
Borrowings	1,337	1,522
<b>Total non-current liabilities</b>	<b>1,337</b>	<b>1,522</b>
<b>TOTAL LIABILITIES</b>	<b>2,209</b>	<b>3,173</b>
<b>NET ASSETS</b>	<b>73,328</b>	<b>71,438</b>
<b>EQUITY</b>		
Accumulated surplus	39,685	38,673
Revaluation reserves	33,643	32,765
<b><u>TOTAL EQUITY</u></b>	<b><u>73,328</u></b>	<b><u>71,438</u></b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	1,374	1,705
Receivables	1,164	1,558
<b>Total current assets</b>	<b>2,538</b>	<b>3,263</b>
<b>Non-current assets</b>		
Investments	6,065	4,722
Infrastructure, property, plant and equipment	82,797	75,443
<b>Total non-current assets</b>	<b>88,862</b>	<b>80,165</b>
<b>TOTAL ASSETS</b>	<b>91,400</b>	<b>83,428</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	268	734
Borrowings	642	1,364
Provisions	294	282
<b>Total current liabilities</b>	<b>1,204</b>	<b>2,380</b>
<b>Non-current liabilities</b>		
Borrowings	16,298	9,174
<b>Total non-current liabilities</b>	<b>16,298</b>	<b>9,174</b>
<b>TOTAL LIABILITIES</b>	<b>17,502</b>	<b>11,554</b>
<b>NET ASSETS</b>	<b>73,898</b>	<b>71,874</b>
<b>EQUITY</b>		
Accumulated surplus	55,715	54,974
Revaluation reserves	18,183	16,900
<b>TOTAL EQUITY</b>	<b>73,898</b>	<b>71,874</b>

## Statement of Financial Position – Commercial Buildings

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments	290	1,808
Inventories	1,506	1,499
Infrastructure, property, plant and equipment	25,005	19,521
Investment property	55,988	55,352
<b>Total non-current assets</b>	<b>82,789</b>	<b>78,180</b>
<b>TOTAL ASSETS</b>	<b>82,789</b>	<b>78,180</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	48,667	47,672
<b>Total non-current liabilities</b>	<b>48,667</b>	<b>47,672</b>
<b>TOTAL LIABILITIES</b>	<b>48,667</b>	<b>47,672</b>
<b>NET ASSETS</b>	<b>34,122</b>	<b>30,508</b>
<b>EQUITY</b>		
Accumulated surplus	34,122	30,508
<b><u>TOTAL EQUITY</u></b>	<b><u>34,122</u></b>	<b><u>30,508</u></b>

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

### Note 1. Significant Accounting Policies

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

##### a. Water Supplies

Provision of portable water for the communities of Muswellbrook, Denman and Sandy Hollow.

##### b. Sewerage Services

Provision of sewerage treatment of the communities of Muswellbrook and Denman

##### c. Commercial Buildings

The provision of residential and commercial properties for the lease and the sale of both development ready and surplus vacant land.

#### Monetary amounts

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

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

### Note 1. Significant Accounting Policies (continued)

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As required by Crown Lands and Water (CLAW), 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 \$850,000.00

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

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

Achievement of substantial compliance to the 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 27.5%.

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

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

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

#### Local government rates and charges

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



## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

#### 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**

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

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

#### (iv) Dividends

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

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

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

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

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



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial statements**

#### **Muswellbrook Shire Council**

To the Councillors of the Muswellbrook Shire Council

### **Opinion**

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

The declared business activities of the Council are:

- Water supply
- Sewerage
- Commercial buildings.

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Furqan Yousuf', with a stylized flourish at the end.

Furqan Yousuf

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY

# Muswellbrook Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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*To do what is best for our community through leadership,  
excellent service and encouragement of sustainable  
development.*



Special Schedules  
for the year ended 30 June 2019

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<b>Special Schedules</b>	
Permissible income for general rates	3
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## Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	16,126	12,755
Plus or minus adjustments <sup>2</sup>	b	671	1,302
<b>Notional general income</b>	c = a + b	<b>16,797</b>	<b>14,057</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>3</sup>	d	15.13%	14.73%
Less expiring special variation amount	g	(1,747)	—
Plus special variation amount	h = d x (c + g)	2,277	2,071
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>17,327</b>	<b>16,128</b>
Plus (or minus) last year's carry forward total	l	5	3
<b>Sub-total</b>	n = (l + m)	<b>5</b>	<b>3</b>
<b>Total permissible income</b>	o = k + n	<b>17,332</b>	<b>16,131</b>
Less notional general income yield	p	17,722	16,126
<b>Catch-up or (excess) result</b>	q = o - p	<b>(390)</b>	<b>5</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	669	—
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>279</b>	<b>5</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### Muswellbrook Shire Council

To the Councillors of Muswellbrook Shire Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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



## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Furqan Yousuf', with a stylized flourish at the end.

Furqan Yousuf

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY

## Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost				Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council	2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance			1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Other	4,919	14,972	600	812	43,226	73,134	35.0%	25.0%	20.0%	13.0%	7.0%
	Sub-total	4,919	14,972	600	812	43,226	73,134	35.0%	25.0%	20.0%	13.0%	7.0%
Other structures	Other structures	47	151	470	886	7,597	10,628	34.0%	60.0%	5.0%	1.0%	0.0%
	Sub-total	47	151	470	886	7,597	10,628	34.0%	60.0%	5.0%	1.0%	0.0%
Roads	Sealed roads	4,333	13,213	2,700	1,943	140,958	217,836	36.0%	36.0%	22.0%	4.0%	2.0%
	Unsealed	594	1,965	70	336	2,066	5,293	3.0%	28.0%	31.0%	25.0%	13.0%
	Bridges	250	1,338	160	27	42,302	60,645	56.0%	38.0%	3.0%	2.0%	1.0%
	Footpaths	371	1,225	120	71	12,239	16,608	35.0%	24.0%	33.0%	5.0%	3.0%
	Other road assets	366	1,438	770	—	138,825	156,228	66.0%	17.0%	16.0%	1.0%	0.0%
	Sub-total	5,914	19,179	3,820	2,377	336,390	456,610	48.5%	29.2%	17.9%	3.0%	1.4%
Water supply network	Water supply network	7,048	18,150	1,150	1,945	54,445	102,958	1.0%	33.0%	48.0%	8.0%	10.0%
	Sub-total	7,048	18,150	1,150	1,945	54,445	102,958	1.0%	33.0%	48.0%	8.0%	10.0%
Sewerage network	Sewerage network	15,069	32,595	990	1,046	48,928	92,417	15.0%	25.0%	25.0%	10.0%	25.0%
	Sub-total	15,069	32,595	990	1,046	48,928	92,417	15.0%	25.0%	25.0%	10.0%	25.0%
Stormwater drainage	Other	134	656	200	40	37,205	58,922	26.0%	19.0%	54.0%	1.0%	0.0%
	Sub-total	134	656	200	40	37,205	58,922	26.0%	19.0%	54.0%	1.0%	0.0%
TOTAL - ALL ASSETS		33,131	85,703	7,230	7,106	527,791	794,669	35.3%	28.5%	25.3%	5.2%	5.7%

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

## Infrastructure asset condition assessment 'key'

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

continued on next page ...

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018      2017		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio <sup>1</sup>					
Asset renewals <sup>2</sup>	8,377	78.27%	97.11%	93.50%	>=100.00%
Depreciation, amortisation and impairment	10,703				
Infrastructure backlog ratio <sup>1</sup>					
Estimated cost to bring assets to a satisfactory standard	33,131	6.28%	5.54%	6.09%	<2.00%
Net carrying amount of infrastructure assets	527,791				
Asset maintenance ratio					
Actual asset maintenance	7,106	98.28%	75.13%	83.09%	>100.00%
Required asset maintenance	7,230				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	85,703	10.78%	2.91%	3.52%	
Gross replacement cost	794,669				

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

(1) Excludes Work In Progress (WIP)

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

# Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio <sup>1</sup>							
Asset renewals <sup>2</sup>							
Depreciation, amortisation and impairment	88.15%	82.61%	77.52%	137.20%	24.46%	115.21%	>=100.00%
Infrastructure backlog ratio <sup>1</sup>							
Estimated cost to bring assets to a satisfactory standard	2.60%	3.59%	12.95%	16.35%	30.80%	10.56%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	80.84%	78.67%	169.13%	78.06%	105.66%	58.52%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	5.83%	1.66%	17.63%	8.74%	35.27%	4.45%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

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