

Warren Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

115 Dubbo Street
WARREN NSW 2824

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.warren.nsw.gov.au

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Warren 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:

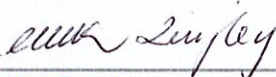
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

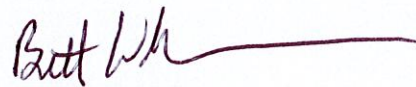
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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

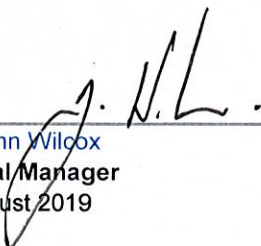
Signed in accordance with a resolution of Council made on 22 August 2019.



Dr Milton Quigley
Mayor
22 August 2019



Mr Brett Williamson
Councillor
22 August 2019



Mr Glenn Wilcox
General Manager
22 August 2019



Mr Darren Arthur
Responsible Accounting Officer
22 August 2019

Income Statement

for the year ended 30 June 2019

| Original unaudited budget 2019 \$ '000 | | Notes | Actual 2019 \$ '000 | Restated Actual 2018 ¹ \$ '000 |
|--|--|-------|---------------------------|--|
| Income from continuing operations | | | | |
| <u>Revenue:</u> | | | | |
| 5,779 | Rates and annual charges | 3a | 5,792 | 5,601 |
| 1,148 | User charges and fees | 3b | 1,599 | 1,861 |
| 300 | Interest and investment revenue | 3c | 305 | 309 |
| 408 | Other revenues | 3d | 457 | 506 |
| 7,615 | Grants and contributions provided for operating purposes | 3e,3f | 8,745 | 6,775 |
| 2,899 | Grants and contributions provided for capital purposes | 3e,3f | 99 | 580 |
| <u>Other income:</u> | | | | |
| – | Net share of interests in joint ventures and associates using the equity method | 15 | – | 1 |
| 18,149 | Total income from continuing operations | | 16,997 | 15,633 |
| Expenses from continuing operations | | | | |
| 5,375 | Employee benefits and on-costs | 4a | 5,746 | 5,445 |
| 13 | Borrowing costs | 4b | 23 | 29 |
| 3,639 | Materials and contracts | 4c | 3,717 | 3,463 |
| 3,744 | Depreciation and amortisation | 4d | 3,397 | 3,309 |
| 1,228 | Other expenses | 4e | 1,259 | 1,164 |
| – | Net losses from the disposal of assets | 5 | 145 | 1,177 |
| – | Net share of interests in joint ventures and associates using the equity method | 15 | 2 | – |
| 13,999 | Total expenses from continuing operations | | 14,289 | 14,587 |
| 4,150 | Operating result from continuing operations | | 2,708 | 1,046 |
| 4,150 | Net operating result for the year | | 2,708 | 1,046 |
| 4,150 | Net operating result attributable to council | | 2,708 | 1,046 |
| 1,251 | Net operating result for the year before grants and contributions provided for capital purposes | | 2,609 | 466 |

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

| | Notes | 2019 \$ '000 | 2018 ¹ \$ '000 |
|--|-------|-----------------|------------------------------|
| Net operating result for the year (as per Income Statement) | | 2,708 | 1,046 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of IPP&E | 9(a) | 251 | 5,582 |
| Total items which will not be reclassified subsequently to the operating result | | 251 | 5,582 |
| Total other comprehensive income for the year | | 251 | 5,582 |
| Total comprehensive income for the year | | 2,959 | 6,628 |
| Total comprehensive income attributable to Council | | 2,959 | 6,628 |

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

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

Statement of Financial Position

as at 30 June 2019

| | Notes | 2019 \$ '000 | 2018 ¹ \$ '000 |
|---|-------|-----------------|------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalent assets | 6(a) | 11,849 | 12,704 |
| Receivables | 7 | 1,804 | 1,382 |
| Inventories | 8a | 991 | 660 |
| Other | 8b | 11 | 34 |
| Total current assets | | 14,655 | 14,780 |
| Non-current assets | | | |
| Receivables | 7 | 83 | 73 |
| Infrastructure, property, plant and equipment | 9(a) | 183,111 | 179,914 |
| Intangible assets | 10 | 97 | 121 |
| Investments accounted for using the equity method | 15 | 52 | 54 |
| Total non-current assets | | 183,343 | 180,162 |
| TOTAL ASSETS | | 197,998 | 194,942 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 11 | 858 | 660 |
| Income received in advance | 11 | 167 | 114 |
| Borrowings | 11 | 92 | 87 |
| Provisions | 12 | 1,567 | 1,655 |
| Total current liabilities | | 2,684 | 2,516 |
| Non-current liabilities | | | |
| Borrowings | 11 | 87 | 169 |
| Provisions | 12 | 63 | 52 |
| Total non-current liabilities | | 150 | 221 |
| TOTAL LIABILITIES | | 2,834 | 2,737 |
| Net assets | | 195,164 | 192,205 |
| EQUITY | | | |
| Accumulated surplus | 13a | 101,342 | 97,766 |
| Revaluation reserves | 13a | 93,822 | 94,439 |
| Council equity interest | | 195,164 | 192,205 |
| Total equity | | 195,164 | 192,205 |

(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

| | 2019 | | | 2018 ¹ | | |
|--|--------------------------------|--------------------------------------|-------------------------|--------------------------------|--------------------------------------|-------------------------|
| | Accumulated surplus \$ '000 | IPP&E revaluation reserve \$ '000 | Total equity \$ '000 | Accumulated surplus \$ '000 | IPP&E revaluation reserve \$ '000 | Total equity \$ '000 |
| Opening balance | 97,766 | 94,439 | 192,205 | 96,720 | 88,857 | 185,577 |
| Restated opening balance | 97,766 | 94,439 | 192,205 | 96,720 | 88,857 | 185,577 |
| Net operating result for the year | 2,708 | – | 2,708 | 1,046 | – | 1,046 |
| Restated net operating result for the period | 2,708 | – | 2,708 | 1,046 | – | 1,046 |
| Other comprehensive income | | | | | | |
| – Gain (loss) on revaluation of IPP&E | – | 251 | 251 | – | 5,582 | 5,582 |
| Other comprehensive income | – | 251 | 251 | – | 5,582 | 5,582 |
| Total comprehensive income | 2,708 | 251 | 2,959 | 1,046 | 5,582 | 6,628 |
| Transfers between equity items | 868 | (868) | – | – | – | – |
| Equity – balance at end of the reporting period | 101,342 | 93,822 | 195,164 | 97,766 | 94,439 | 192,205 |

Notes

9(a)

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

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

Statement of Cash Flows

for the year ended 30 June 2019

| Original unaudited budget 2019 \$ '000 | | Notes | Actual 2019 \$ '000 | Actual 2018 \$ '000 |
|--|--|-------|---------------------------|---------------------------|
| Cash flows from operating activities | | | | |
| <u>Receipts</u> | | | | |
| 5,779 | Rates and annual charges | | 5,785 | 5,556 |
| 1,800 | User charges and fees | | 2,479 | 1,154 |
| 305 | Investment and interest revenue received | | 298 | 315 |
| 10,514 | Grants and contributions | | 7,782 | 7,578 |
| 1,500 | Other | | 1,436 | 1,471 |
| <u>Payments</u> | | | | |
| (5,375) | Employee benefits and on-costs | | (5,857) | (5,604) |
| (4,003) | Materials and contracts | | (4,093) | (3,633) |
| (13) | Borrowing costs | | (14) | (18) |
| (2,280) | Other | | (2,130) | (1,832) |
| 8,227 | Net cash provided (or used in) operating activities | 14b | 5,686 | 4,987 |
| Cash flows from investing activities | | | | |
| <u>Receipts</u> | | | | |
| 660 | Sale of infrastructure, property, plant and equipment | | 733 | 240 |
| – | Deferred debtors receipts | | 1 | – |
| <u>Payments</u> | | | | |
| (11,826) | Purchase of infrastructure, property, plant and equipment | | (7,189) | (7,641) |
| – | Purchase of Intangible Assets | | – | (32) |
| (11,166) | Net cash provided (or used in) investing activities | | (6,455) | (7,433) |
| Cash flows from financing activities | | | | |
| <u>Payments</u> | | | | |
| (86) | Repayment of borrowings and advances | | (86) | (83) |
| (86) | Net cash flow provided (used in) financing activities | | (86) | (83) |
| (3,025) | Net increase/(decrease) in cash and cash equivalents | | (855) | (2,529) |
| 15,233 | Plus: cash and cash equivalents – beginning of year | 14a | 12,704 | 15,233 |
| 12,208 | Cash and cash equivalents – end of the year | 14a | 11,849 | 12,704 |
| Additional Information: | | | | |
| 12,208 | Total cash, cash equivalents and investments | | 11,849 | 12,704 |

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 22 August 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

Council adopted the following Australian accounting standard amendments for these financial statements:

- *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

This disclosure Initiative helps users of financial statements to better understand changes in an entity's debt.

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.

No changes in accounting policies resulted from the adoption of AASB 9.

(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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (ii) employee benefit provisions – refer Note 12.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

AASB 16 Leases

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

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

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

At the end of this reporting period, Council has no non-cancellable operating lease commitments.

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

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

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

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

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

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

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

The impact of AASB15 is not expected to have a material impact on Council's future financial performance, financial position and cash flows.

AASB 1058 Income of NFP Entities

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

The specific impacts of AASB1058 for Council are not expected to have a material impact on Council's future financial performance, financial position and cash flows.

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

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

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

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

The specific impacts of AASB2018-8 for Council are not expected to have a material impact on Council's future financial performance, financial position and cash flows.

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

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

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

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

| Functions or activities | 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 |
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| Social | 288 | 270 | 817 | 841 | (529) | (571) | 863 | 93 | 2,350 | 2,381 |
| Economic | 463 | 174 | 613 | 332 | (150) | (158) | 366 | 5 | 2,984 | 3,044 |
| Infrastructure | 5,909 | 5,331 | 8,200 | 8,027 | (2,291) | (2,696) | 1,940 | 1,745 | 149,263 | 146,118 |
| Environmental | 2,088 | 2,118 | 2,079 | 2,334 | 9 | (216) | 519 | 580 | 28,487 | 27,763 |
| Governance | 328 | 306 | 2,580 | 3,053 | (2,252) | (2,747) | 74 | 5 | 14,945 | 15,636 |
| General Purpose Revenues | 7,921 | 7,434 | – | – | 7,921 | 7,434 | 2,990 | 2,646 | (31) | – |
| Total functions and activities | 16,997 | 15,633 | 14,289 | 14,587 | 2,708 | 1,046 | 6,752 | 5,074 | 197,998 | 194,942 |

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Social

Includes income and expenses relating to Fire Protection, Animal Control, Health, Youth Services, Community Services, Public Cemeteries and Council Housing etc.

Economic

Includes income & expenses relating to Tourism, Economic Development, and other Business Undertakings.

Infrastructure

Includes Income and Expenditure for Roads, Bridges, Footpaths, Recreation, Aerodrome, State Highway 11, Parking Areas and CBD.

Environmental

Includes income and expenses for both Domestic and Industry Waste, Stormwater, Levee Protection, Water and Sewerage Services

Governance

Includes income and expenses for Governance and Administration.

General Purpose Revenues

Includes income from General Rates, General Fund Interest on Investments and Overdue Rates, Financial Assistance Grants, General Fund Pensioner Subsidy Rebates and Shares in Joint Ventures.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

| | 2019 \$ '000 | 2018 \$ '000 |
|---|---------------------|---------------------|
| (a) Rates and annual charges | | |
| Ordinary rates | | |
| Residential | 616 | 600 |
| Farmland | 3,906 | 3,786 |
| Business | 194 | 190 |
| Less: pensioner rebates (mandatory) | (35) | (35) |
| Rates levied to ratepayers | 4,681 | 4,541 |
| Pensioner rate subsidies received | 19 | 19 |
| Total ordinary rates | 4,700 | 4,560 |
| Annual charges | | |
| <small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small> | | |
| Domestic waste management services | 254 | 239 |
| Water supply services | 383 | 361 |
| Sewerage services | 477 | 463 |
| Less: pensioner rebates (mandatory) – Domestic waste | (15) | (15) |
| Less: pensioner rebates (mandatory) – Water supply services | (17) | (17) |
| Less: pensioner rebates (mandatory) – Sewerage services | (15) | (15) |
| Annual charges levied | 1,067 | 1,016 |
| Pensioner subsidies received: | | |
| – Water | 9 | 9 |
| – Sewerage | 8 | 8 |
| – Domestic waste management | 8 | 8 |
| Total annual charges | 1,092 | 1,041 |
| <u>TOTAL RATES AND ANNUAL CHARGES</u> | <u>5,792</u> | <u>5,601</u> |

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

| | 2019 \$ '000 | 2018 \$ '000 |
|---|-----------------|-----------------|
| (b) User charges and fees | | |
| Specific user charges | | |
| <small>(per s.502 - specific 'actual use' charges)</small> | | |
| Domestic waste management services | 10 | 9 |
| Water supply services | 330 | 349 |
| Sewerage services | 43 | 40 |
| Total specific user charges | 383 | 398 |
| Other user charges and fees | | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | | |
| Planning and building regulation | 23 | 18 |
| Private works – section 67 | 47 | 104 |
| Regulatory/ statutory fees | 2 | 18 |
| Section 10.7 certificates (EP&A Act) | 6 | 9 |
| Section 603 certificates | 5 | 4 |
| Total fees and charges – statutory/regulatory | 83 | 153 |
| (ii) Fees and charges – other (incl. general user charges (per s.608)) | | |
| Aerodrome | 36 | 26 |
| Cemeteries | 63 | 43 |
| Fire and emergency services levy (FESL) implementation | – | 2 |
| Quarry revenues | 6 | 1 |
| RMS (formerly RTA) charges (state roads not controlled by Council) | 981 | 1,192 |
| Swimming centres | 24 | 28 |
| Waste disposal tipping fees | 2 | 4 |
| Water connection fees | 3 | 3 |
| Other | 18 | 11 |
| Total fees and charges – other | 1,133 | 1,310 |
| TOTAL USER CHARGES AND FEES | 1,599 | 1,861 |

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)

| | 2019 \$ '000 | 2018 \$ '000 |
|--|-----------------|-----------------|
| (c) Interest and investment revenue (including losses) | | |
| Interest on financial assets measured at amortised cost | | |
| – Overdue rates and annual charges (incl. special purpose rates) | 12 | 10 |
| – Cash and investments | 293 | 299 |
| TOTAL INTEREST AND INVESTMENT REVENUE | 305 | 309 |
| Interest revenue is attributable to: | | |
| Unrestricted investments/financial assets: | | |
| Overdue rates and annual charges (general fund) | 7 | 10 |
| General Council cash and investments | 225 | 217 |
| Restricted investments/funds – external: | | |
| Water fund operations | 9 | 8 |
| Sewerage fund operations | 63 | 73 |
| Domestic waste management operations | 1 | 1 |
| Total interest and investment revenue | 305 | 309 |

Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

| | 2019 \$ '000 | 2018 \$ '000 |
|---|-------------------|-------------------|
| (d) Other revenues | | |
| Rental income – other council properties | 190 | 178 |
| Commissions and agency fees | 81 | 81 |
| Diesel rebate | 76 | 106 |
| Insurance claims recoveries | 23 | 51 |
| Swimming pool canteen sales | 25 | 24 |
| WHS incentive payment | 18 | 17 |
| Statewide property rebate | – | 5 |
| Risk management incentive | 11 | 18 |
| Procurement Rebates | 7 | – |
| Community builders and eipp program administration fees | – | 15 |
| NSW RFS maintenance and repair reimbursement | 1 | 10 |
| Sale of Scrap Metal | 7 | – |
| Sale of Old Materials | 7 | – |
| Other | 11 | 1 |
| <u>TOTAL OTHER REVENUE</u> | <u>457</u> | <u>506</u> |

Accounting policy for other revenue

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

| | Operating 2019 \$ '000 | Operating 2018 \$ '000 | Capital 2019 \$ '000 | Capital 2018 \$ '000 |
|--|------------------------------|------------------------------|----------------------------|----------------------------|
| (e) Grants | | | | |
| General purpose (untied) | | | | |
| Current year allocation | | | | |
| Financial assistance | 1,468 | 1,305 | – | – |
| Payment in advance - future year allocation | | | | |
| Financial assistance | 1,522 | 1,341 | – | – |
| Total general purpose | 2,990 | 2,646 | – | – |
| Specific purpose | | | | |
| Water supplies | 420 | – | – | 349 |
| Sewerage services | – | – | 99 | 231 |
| Economic development | – | 5 | – | – |
| Employment and training programs | 4 | 5 | – | – |
| Library | 23 | 76 | – | – |
| Recreation and culture | 480 | 250 | – | – |
| Street lighting | 29 | 29 | – | – |
| Transport (roads to recovery) | 363 | 920 | – | – |
| Youth services | 55 | 93 | – | – |
| CBD Upgrade | 300 | 200 | – | – |
| Macquarie Park Upgrade | 160 | 79 | – | – |
| Crown Lands Management Plans | 75 | – | – | – |
| Transport - Other | 307 | – | – | – |
| Pathways Upgrade | 258 | 188 | – | – |
| Village Enhancement Plans | 743 | – | – | – |
| Federal Government Drought Projects | 366 | – | – | – |
| Other | 80 | 3 | – | – |
| Total specific purpose | 3,663 | 1,848 | 99 | 580 |
| Total grants | 6,653 | 4,494 | 99 | 580 |
| Grant revenue is attributable to: | | | | |
| – Commonwealth funding | 4,139 | 3,566 | – | – |
| – State funding | 2,514 | 928 | 99 | 580 |
| | 6,653 | 4,494 | 99 | 580 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

| | Operating 2019 \$ '000 | Operating 2018 \$ '000 | Capital 2019 \$ '000 | Capital 2018 \$ '000 |
|---|------------------------------|------------------------------|----------------------------|----------------------------|
| Notes | | | | |
| (f) Contributions | | | | |
| Other contributions: | | | | |
| Cash contributions | | | | |
| Bushfire services | 63 | 11 | – | – |
| Recreation and culture | 13 | 25 | – | – |
| RMS contributions (regional roads, block grant) | 1,920 | 2,159 | – | – |
| Library | 96 | 86 | – | – |
| Total other contributions – cash | 2,092 | 2,281 | – | – |
| Total other contributions | 2,092 | 2,281 | – | – |
| <u>Total contributions</u> | <u>2,092</u> | <u>2,281</u> | <u>–</u> | <u>–</u> |
| <u>TOTAL GRANTS AND CONTRIBUTIONS</u> | <u>8,745</u> | <u>6,775</u> | <u>99</u> | <u>580</u> |

Accounting policy for grants and contributions

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

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

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.

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

(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 | 845 | 1,508 |
| Add: operating grants recognised in the current period but not yet spent | 675 | 845 |
| Less: operating grants recognised in a previous reporting period now spent | (835) | (1,508) |
| Unexpended and held as restricted assets (operating grants) | 685 | 845 |

Contributions

| | | |
|--|------------|------------|
| Unexpended at the close of the previous reporting period | 649 | 994 |
| Add: contributions recognised in the current period but not yet spent | 368 | 649 |
| Less: contributions recognised in a previous reporting period now spent | (649) | (994) |
| Unexpended and held as restricted assets (contributions) | 368 | 649 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

| | 2019 \$ '000 | 2018 \$ '000 |
|--|-----------------|-----------------|
| (a) Employee benefits and on-costs | | |
| Salaries and wages | 4,779 | 4,518 |
| Employee leave entitlements (ELE) | 571 | 568 |
| Superannuation | 558 | 506 |
| Workers' compensation insurance | 233 | 232 |
| Fringe benefit tax (FBT) | 22 | 26 |
| Training costs (other than salaries and wages) | 56 | 83 |
| Protective clothing | 27 | 20 |
| Other | 13 | 9 |
| Total employee costs | 6,259 | 5,962 |
| Less: capitalised costs | (513) | (517) |
| TOTAL EMPLOYEE COSTS EXPENSED | 5,746 | 5,445 |
| Number of 'full-time equivalent' employees (FTE) at year end | 70 | 75 |

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.

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

| | | |
|--|-----------|-----------|
| Interest on loans | 14 | 18 |
| Total interest bearing liability costs expensed | 14 | 18 |

(ii) Other borrowing costs

| | | |
|--|----------|-----------|
| Fair value adjustments on recognition of advances and deferred debtors | | |
| Interest applicable on interest free (and favourable) loans to Council | 9 | 11 |
| Total other borrowing costs | 9 | 11 |

| | | |
|---------------------------------------|-----------|-----------|
| TOTAL BORROWING COSTS EXPENSED | 23 | 29 |
|---------------------------------------|-----------|-----------|

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)

| | 2019 \$ '000 | 2018 \$ '000 |
|---|---------------------|---------------------|
| (c) Materials and contracts | | |
| Raw materials and consumables | 3,649 | 3,371 |
| Contractor and consultancy costs | 3 | 36 |
| Auditors remuneration ² | 65 | 56 |
| Total materials and contracts | 3,717 | 3,463 |
| <u>TOTAL MATERIALS AND CONTRACTS</u> | <u>3,717</u> | <u>3,463</u> |

2. Auditor remuneration

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

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

Audit and review of financial statements

47

52

Remuneration for audit and other assurance services

47

52

Total Auditor-General remuneration

47

52

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

Internal Audit

18

4

Remuneration for audit and other assurance services

18

4

Total remuneration of non NSW Auditor-General audit firms

18

4

Total Auditor remuneration

65

56

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

| | Notes | 2019 \$ '000 | 2018 \$ '000 |
|---|-------|---------------------|---------------------|
| (d) Depreciation, amortisation and impairment of intangible assets and IPP&E | | | |
| Depreciation and amortisation | | | |
| Plant and equipment | | 840 | 902 |
| Office equipment | | 43 | 33 |
| Furniture and fittings | | 20 | 15 |
| Infrastructure: | | | |
| – Buildings – non-specialised | | 102 | 103 |
| – Buildings – specialised | | 170 | 178 |
| – Other structures | | 144 | 140 |
| – Roads | | 1,551 | 1,523 |
| – Bridges | | 176 | 177 |
| – Footpaths | | 47 | 47 |
| – Stormwater drainage | | 40 | 40 |
| – Swimming pools | | 37 | 37 |
| – Water supply network | | 198 | 220 |
| – Sewerage network | | 164 | 181 |
| – Other open space/recreational assets | | 60 | 45 |
| Intangible assets | 10 | 24 | – |
| Total gross depreciation and amortisation costs | | 3,616 | 3,641 |
| Less: capitalised costs | | (219) | (332) |
| Total depreciation and amortisation costs | | 3,397 | 3,309 |
| <u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u> | | <u>3,397</u> | <u>3,309</u> |

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 12 for intangible assets.

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

Impairment of non-financial assets

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

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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)

| | 2019 \$ '000 | 2018 \$ '000 |
|--|-----------------|-----------------|
| (e) Other expenses | | |
| Advertising | 40 | 29 |
| Bank charges | 11 | 10 |
| Contributions/levies to other levels of government | | |
| – Emergency services levy (SES) | 4 | 5 |
| – NSW fire and rescue levy | 21 | 21 |
| – NSW rural fire service levy | 101 | 103 |
| – Contribution to Castlereagh Macquarie County Council | 105 | 103 |
| – Other contributions/levies | 10 | 9 |
| Councillor expenses – mayoral fee | 26 | 25 |
| Councillor expenses – councillors' fees | 112 | 111 |
| Councillors' expenses (incl. mayor) – other (excluding fees above) | 19 | 23 |
| Donations, contributions and assistance to other organisations (Section 356) | 8 | 5 |
| Electricity and heating | 225 | 214 |
| Insurance | 220 | 210 |
| Postage | 9 | 10 |
| Printing and stationery | 22 | 21 |
| Street lighting | 127 | 100 |
| Subscriptions and publications | 39 | 31 |
| Telephone and communications | 66 | 30 |
| Valuation fees | 19 | 18 |
| Water purchases | 18 | 27 |
| Contribution to north western library co-operative | 56 | 55 |
| Other | 1 | 4 |
| Total other expenses | 1,259 | 1,164 |
| TOTAL OTHER EXPENSES | 1,259 | 1,164 |

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

| | Notes | 2019 \$ '000 | 2018 \$ '000 |
|--|-------|-----------------|-----------------|
| Property (excl. investment property) | | | |
| Proceeds from disposal – property | | 177 | – |
| Less: carrying amount of property assets sold/written off | | (152) | (32) |
| Net gain/(loss) on disposal | | <u>25</u> | <u>(32)</u> |
| Plant and equipment | | | |
| | 9(a) | | |
| Proceeds from disposal – plant and equipment | | 554 | 240 |
| Less: carrying amount of plant and equipment assets sold/written off | | (274) | (154) |
| Net gain/(loss) on disposal | | <u>280</u> | <u>86</u> |
| Infrastructure | | | |
| | 9(a) | | |
| Proceeds from disposal – infrastructure | | 2 | – |
| Less: carrying amount of infrastructure assets sold/written off | | (452) | (1,231) |
| Net gain/(loss) on disposal | | <u>(450)</u> | <u>(1,231)</u> |
| NET GAIN/(LOSS) ON DISPOSAL OF ASSETS | | <u>(145)</u> | <u>(1,177)</u> |

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$ '000 | \$ '000 |
| Cash and cash equivalents | | |
| Cash on hand and at bank | 436 | 398 |
| Cash-equivalent assets | | |
| – Deposits at call | 413 | 1,806 |
| – Short-term deposits | 11,000 | 10,500 |
| Total cash and cash equivalents | 11,849 | 12,704 |

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

 Nil

Notes to the Financial Statements

for the year ended 30 June 2019

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

| | 2019 Current \$ '000 | 2019 Non-current \$ '000 | 2018 Current \$ '000 | 2018 Non-current \$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Total cash, cash equivalents and investments | 11,849 | – | 12,704 | – |
| attributable to: | | | | |
| External restrictions | 4,319 | – | 4,178 | – |
| Internal restrictions | 7,030 | – | 8,026 | – |
| Unrestricted | 500 | – | 500 | – |
| | <u>11,849</u> | <u>–</u> | <u>12,704</u> | <u>–</u> |

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

Details of restrictions

External restrictions – included in liabilities

| | | |
|--|----------|----------|
| Cwcoma roadside mapping | 7 | 7 |
| External restrictions – included in liabilities | <u>7</u> | <u>7</u> |

External restrictions – other

| | | |
|--|--------------|--------------|
| RMS contributions | 365 | 649 |
| Other Contributions - Library - Community Builders Program | 3 | – |
| Specific purpose unexpended grants | 685 | 845 |
| Water supplies | 556 | 144 |
| Sewerage services | 2,441 | 2,271 |
| Domestic waste management | 262 | 262 |
| External restrictions – other | <u>4,312</u> | <u>4,171</u> |

Total external restrictions

| | | |
|--|--------------|--------------|
| | <u>4,319</u> | <u>4,178</u> |
|--|--------------|--------------|

Internal restrictions

| | | |
|--|-------|-------|
| Plant and vehicle replacement | 1,103 | 633 |
| Infrastructure replacement | 768 | 559 |
| Employees leave entitlement | 400 | 500 |
| Roadworks | 204 | 1,000 |
| Bridgeworks | 310 | 310 |
| Risk management, whs and insurance | 137 | 217 |
| Specific maintenance and repair | 42 | 60 |
| Specific programs | 532 | 884 |
| CBD improvements | 100 | 300 |
| Prepaid financial assistance grant | 1,522 | 1,341 |
| Construction of Council Chambers and 2 Dwellings | 1,759 | 1,850 |
| Depot upgrade | 43 | 256 |
| Other | 110 | 116 |

| | | |
|------------------------------------|--------------|--------------|
| Total internal restrictions | <u>7,030</u> | <u>8,026</u> |
|------------------------------------|--------------|--------------|

TOTAL RESTRICTIONS

| | | |
|--|---------------|---------------|
| | <u>11,349</u> | <u>12,204</u> |
|--|---------------|---------------|

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

| | 2019 Current \$ '000 | 2019 Non-current \$ '000 | 2018 Current \$ '000 | 2018 Non-current \$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Purpose | | | | |
| Rates and annual charges | 124 | 57 | 129 | 45 |
| Interest and extra charges | 11 | 6 | 8 | 4 |
| User charges and fees | 355 | 20 | 1,066 | 24 |
| Accrued revenues | | | | |
| – Interest on investments | 25 | – | 23 | – |
| Other Debtors | 38 | – | – | – |
| Deferred debtors | 1 | – | 2 | – |
| Government grants and subsidies | 1,250 | – | 154 | – |
| Total | 1,804 | 83 | 1,382 | 73 |
| TOTAL NET RECEIVABLES | 1,804 | 83 | 1,382 | 73 |
| Externally restricted receivables | | | | |
| Water supply | | | | |
| – Specific purpose grants | 136 | – | 136 | – |
| – Rates and availability charges | 18 | 10 | 19 | 4 |
| – Other | 98 | 21 | 98 | 20 |
| Sewerage services | | | | |
| – Specific purpose grants | 43 | – | 18 | – |
| – Rates and availability charges | 22 | 13 | 38 | 7 |
| – Other | 16 | 1 | 2 | – |
| Domestic waste management | 23 | 7 | 17 | 6 |
| Total external restrictions | 356 | 52 | 328 | 37 |
| Unrestricted receivables | 1,448 | 31 | 1,054 | 36 |
| TOTAL NET RECEIVABLES | 1,804 | 83 | 1,382 | 73 |

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 3 years past due, 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

| | 2019 Current \$ '000 | 2019 Non-current \$ '000 | 2018 Current \$ '000 | 2018 Non-current \$ '000 |
|----------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| (a) Inventories | | | | |
| (i) Inventories at cost | | | | |
| Real estate for resale | 145 | – | 153 | – |
| Stores and materials | 152 | – | 118 | – |
| Trading stock | 567 | – | 277 | – |
| Loose tools | 127 | – | 112 | – |
| Total inventories at cost | 991 | – | 660 | – |
| TOTAL INVENTORIES | 991 | – | 660 | – |

(b) Other assets

| | | | | |
|---------------------------|-----------|----------|-----------|----------|
| Prepayments | 11 | – | 34 | – |
| TOTAL OTHER ASSETS | 11 | – | 34 | – |

| | 2019 Current \$ '000 | 2019 Non-current \$ '000 | 2018 Current \$ '000 | 2018 Non-current \$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Total externally restricted assets | – | – | – | – |
| Total internally restricted assets | – | – | – | – |
| Total unrestricted assets | 1,002 | – | 694 | – |
| TOTAL INVENTORIES AND OTHER ASSETS | 1,002 | – | 694 | – |

(i) Other disclosures

| | 2019 Current \$ '000 | 2019 Non-current \$ '000 | 2018 Current \$ '000 | 2018 Non-current \$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| (a) Details for real estate development | | | | |
| Industrial/commercial | 72 | – | 72 | – |
| Other properties | 73 | – | 81 | – |
| Total real estate for resale | 145 | – | 153 | – |

(Valued at the lower of cost and net realisable value)

Represented by:

| | | | | |
|--------------------|------------|----------|------------|----------|
| Acquisition costs | 145 | – | 153 | – |
| Total costs | 145 | – | 153 | – |

| | | | | |
|-------------------------------------|------------|----------|------------|----------|
| Total real estate for resale | 145 | – | 153 | – |
|-------------------------------------|------------|----------|------------|----------|

Movements:

| | | | | |
|---|-----|---|-----|---|
| Real estate assets at beginning of the year | 153 | – | 153 | – |
| – Transfers in from (out to) Note 9 | (8) | – | – | – |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

| | 2019 Current \$ '000 | 2019 Non-current \$ '000 | 2018 Current \$ '000 | 2018 Non-current \$ '000 |
|-------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Total real estate for resale | 145 | – | 153 | – |

(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;

| | 2019 \$ '000 | 2018 \$ '000 |
|------------------------|-----------------|-----------------|
| Real estate for resale | 95 | 137 |
| Trading Stock | 350 | 255 |
| | <u>445</u> | <u>392</u> |

Accounting policy for inventories and other assets**Raw materials and stores, work in progress and finished goods**

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

| | as at 30/6/2018 | | | Asset movements during the reporting period | | | | | | | as at 30/6/2019 | | |
|--|----------------------------------|-------------------------------------|--------------------------------|---|---------------------------------|--|---------------------------------|--------------------------|---|---|----------------------------------|-------------------------------------|--------------------------------|
| | Gross carrying amount \$ '000 | Accumulated depreciation \$ '000 | Net carrying amount \$ '000 | Additions renewals ¹ \$ '000 | Additions new assets \$ '000 | Carrying value of disposals \$ '000 | Depreciation expense \$ '000 | WIP transfers \$ '000 | Tfrs from/(to) real estate assets (Note 8) \$ '000 | Revaluation increments to equity (ARR) \$ '000 | Gross carrying amount \$ '000 | Accumulated depreciation \$ '000 | Net carrying amount \$ '000 |
| Capital work in progress | 1,660 | – | 1,660 | 2,040 | 800 | – | – | (1,050) | – | – | 3,450 | – | 3,450 |
| Plant and equipment | 10,766 | (7,011) | 3,755 | 949 | – | (275) | (840) | – | – | – | 9,875 | (6,286) | 3,589 |
| Office equipment | 228 | (140) | 88 | 99 | 37 | – | (43) | – | – | – | 364 | (183) | 181 |
| Furniture and fittings | 201 | (76) | 125 | 53 | – | – | (20) | – | – | – | 254 | (96) | 158 |
| Land: | | | | | | | | | | | | | |
| – Operational land | 1,706 | – | 1,706 | – | – | (23) | – | – | 8 | – | 1,691 | – | 1,691 |
| – Community land | 203 | – | 203 | – | – | – | – | – | – | – | 203 | – | 203 |
| – Crown land | 960 | – | 960 | – | – | – | – | – | – | – | 960 | – | 960 |
| Infrastructure: | | | | | | | | | | | | | |
| – Buildings – non-specialised | 8,225 | (2,890) | 5,335 | – | – | (129) | (102) | – | – | – | 7,995 | (2,891) | 5,104 |
| – Buildings – specialised | 13,394 | (4,495) | 8,899 | – | – | – | (170) | – | – | – | 13,394 | (4,665) | 8,729 |
| – Other structures | 11,864 | (5,872) | 5,992 | 5 | 19 | (2) | (144) | 480 | – | – | 12,336 | (5,986) | 6,350 |
| – Roads | 134,867 | (16,963) | 117,904 | 2,121 | 394 | (449) | (1,551) | 570 | – | – | 137,271 | (18,282) | 118,989 |
| – Bridges | 18,496 | (6,630) | 11,866 | – | – | – | (176) | – | – | – | 18,496 | (6,806) | 11,690 |
| – Footpaths | 4,186 | (1,843) | 2,343 | 197 | 226 | – | (47) | – | – | – | 4,609 | (1,890) | 2,719 |
| – Stormwater drainage | 3,993 | (1,796) | 2,197 | – | – | – | (40) | – | – | – | 3,993 | (1,836) | 2,157 |
| – Water supply network | 16,983 | (8,399) | 8,584 | – | – | – | (198) | – | – | 134 | 17,255 | (8,735) | 8,520 |
| – Sewerage network | 13,918 | (6,450) | 7,468 | – | – | – | (164) | – | – | 117 | 14,141 | (6,720) | 7,421 |
| – Swimming pools | 1,631 | (1,564) | 67 | – | 23 | – | (37) | – | – | – | 1,654 | (1,601) | 53 |
| – Other open space/recreational assets | 2,087 | (1,325) | 762 | 411 | 34 | – | (60) | – | – | – | 2,533 | (1,386) | 1,147 |
| Total Infrastructure, property, plant and equipment | 245,368 | (65,454) | 179,914 | 5,875 | 1,533 | (878) | (3,592) | – | 8 | 251 | 250,474 | (67,363) | 183,111 |

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

| | as at 30/6/2017 | | | Asset movements during the reporting period | | | | | | | as at 30/6/2018 | | |
|--|-----------------------|--------------------------|---------------------|---|----------------------|-----------------------------|----------------------|---------------|---------------------------|--|-----------------------|--------------------------|---------------------|
| | Gross carrying amount | Accumulated depreciation | Net carrying amount | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| Capital work in progress | 730 | – | 730 | 1,372 | 142 | – | – | (495) | (89) | – | 1,660 | – | 1,660 |
| Plant and equipment | 9,782 | (6,723) | 3,059 | 1,752 | – | (154) | (902) | – | – | – | 10,766 | (7,011) | 3,755 |
| Office equipment | 213 | (108) | 105 | – | 16 | – | (33) | – | – | – | 228 | (140) | 88 |
| Furniture and fittings | 195 | (61) | 134 | – | 6 | – | (15) | – | – | – | 201 | (76) | 125 |
| Land: | | | | | | | | | | | | | |
| – Operational land | 1,454 | – | 1,454 | – | 252 | – | – | – | – | – | 1,706 | – | 1,706 |
| – Community land | 1,163 | – | 1,163 | – | – | – | – | – | (960) | – | 203 | – | 203 |
| – Crown land | – | – | – | – | – | – | – | – | 960 | – | 960 | – | 960 |
| Infrastructure: | | | | | | | | | | | | | |
| – Buildings – non-specialised | 8,778 | (4,990) | 3,788 | 53 | – | (28) | (103) | – | – | 1,625 | 8,225 | (2,890) | 5,335 |
| – Buildings – specialised | 11,446 | (6,077) | 5,369 | 67 | – | (5) | (178) | – | – | 3,646 | 13,394 | (4,495) | 8,899 |
| – Other structures | 11,880 | (5,788) | 6,092 | – | 37 | – | (140) | 3 | – | – | 11,864 | (5,872) | 5,992 |
| – Roads | 132,653 | (15,826) | 116,827 | 2,247 | 871 | (862) | (1,523) | 344 | – | – | 134,867 | (16,963) | 117,904 |
| – Bridges | 18,496 | (6,453) | 12,043 | – | – | – | (177) | – | – | – | 18,496 | (6,630) | 11,866 |
| – Footpaths | 4,186 | (1,800) | 2,386 | 7 | – | (3) | (47) | – | – | – | 4,186 | (1,843) | 2,343 |
| – Stormwater drainage | 3,993 | (1,756) | 2,237 | – | – | – | (40) | – | – | – | 3,993 | (1,796) | 2,197 |
| – Water supply network | 15,729 | (8,054) | 7,675 | 47 | 778 | (1) | (220) | 148 | – | 157 | 16,983 | (8,399) | 8,584 |
| – Sewerage network | 13,988 | (6,346) | 7,642 | 217 | – | (364) | (181) | – | – | 154 | 13,918 | (6,450) | 7,468 |
| – Swimming pools | 1,631 | (1,527) | 104 | – | – | – | (37) | – | – | – | 1,631 | (1,564) | 67 |
| – Other open space/recreational assets | 1,922 | (1,224) | 698 | 89 | 20 | – | (45) | – | – | – | 2,087 | (1,325) | 762 |
| Total Infrastructure, property, plant and equipment | 238,239 | (66,733) | 171,506 | 5,851 | 2,122 | (1,417) | (3,641) | – | (89) | 5,582 | 245,368 | (65,454) | 179,914 |

(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:

| | | | |
|-----------------------------------|----------|--------------------------------------|-----------|
| Plant and equipment | Years | Other equipment | Years |
| Office equipment | 5 to 10 | Playground equipment | 5 to 15 |
| Office furniture | 10 to 20 | Benches, seats etc. | 10 to 20 |
| Computer equipment | 4 to 5 | | |
| Vehicles | 5 to 8 | Buildings | |
| Heavy plant/road making equipment | 5 to 8 | Buildings: masonry | 50 to 100 |
| Other plant and equipment | 5 to 15 | Buildings: other | 20 to 100 |
| Water and sewer assets | | Stormwater assets | |
| Reservoirs | 100 | Drains | 80 to 100 |
| Bores | 50 | Culverts | 50 to 80 |
| Reticulation pipes: PVC | 80 | | |
| Reticulation pipes: other | 25 to 75 | | |
| Pumps and telemetry | 15 to 20 | | |
| Transportation assets | | Other infrastructure assets | |
| Sealed roads: surface | 25 | Swimming pools | 50 |
| Sealed roads: pavement | 60 | Other open space/recreation assets | 20 to 50 |
| Unsealed roads: pavement | 30 | | |
| Road: formation | 100 | | |
| Bridge: concrete | 100 | Other open space/recreational assets | 20 |
| Bridge: other | 50 | Other infrastructure | 20 |
| Kerb, gutter and footpaths | 80 | | |

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

Land under roads

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Crown reserves

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

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

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service plant & vehicle assets. All rural fire service buildings on Council land have been recognised as assets.

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

| | 2019 | | | 2018 | | |
|------------------------------------|----------------------------------|---|--------------------------------|----------------------------------|---|--------------------------------|
| | Gross carrying amount \$ '000 | Accumulated depn. and impairment \$ '000 | Net carrying amount \$ '000 | Gross carrying amount \$ '000 | Accumulated depn. and impairment \$ '000 | Net carrying amount \$ '000 |
| Water supply | | | | | | |
| WIP | 212 | – | 212 | 11 | – | 11 |
| Plant and equipment | 275 | 167 | 108 | 275 | 136 | 139 |
| Land | | | | | | |
| – Operational land | 98 | – | 98 | 98 | – | 98 |
| – Community land | 9 | – | 9 | 9 | – | 9 |
| Other structures | 73 | 34 | 39 | 73 | 33 | 40 |
| Infrastructure | 17,255 | 8,735 | 8,520 | 16,983 | 8,399 | 8,584 |
| Total water supply | 17,922 | 8,936 | 8,986 | 17,449 | 8,568 | 8,881 |
| Sewerage services | | | | | | |
| WIP | 534 | – | 534 | 316 | – | 316 |
| Plant and equipment | 359 | 229 | 130 | 359 | 194 | 165 |
| Land | | | | | | |
| – Operational land | 281 | – | 281 | 281 | – | 281 |
| – Community land | 111 | – | 111 | 111 | – | 111 |
| Other structures | 20 | 5 | 15 | 20 | 4 | 16 |
| Infrastructure | 14,141 | 6,720 | 7,421 | 13,918 | 6,450 | 7,468 |
| Total sewerage services | 15,446 | 6,954 | 8,492 | 15,005 | 6,648 | 8,357 |
| Domestic waste management | | | | | | |
| Land | | | | | | |
| – Operational land | 110 | – | 110 | 110 | – | 110 |
| Total DWM | 110 | – | 110 | 110 | – | 110 |
| TOTAL RESTRICTED I,PP&E | 33,478 | 15,890 | 17,588 | 32,564 | 15,216 | 17,348 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Intangible assets

| | 2019 \$ '000 | 2018 \$ '000 |
|--|-----------------|-----------------|
| Intangible assets are as follows: | | |
| Opening values at 1 July | | |
| Gross book value | 121 | – |
| Net book value – opening balance | 121 | – |
| Movements for the year | | |
| – Purchases | – | 32 |
| – Transferred from Note 9(a) IPPE – Works in Progress | – | 89 |
| – Amortisation charges | (24) | – |
| Closing values at 30 June | | |
| Gross book value | 121 | 121 |
| Accumulated amortisation | (24) | – |
| TOTAL INTANGIBLE ASSETS – NET BOOK VALUE | 97 | 121 |
| The net book value of intangible assets represents: | | |
| – Software | 97 | 121 |
| | 97 | 121 |

Accounting policy for intangible assets**IT development and software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

| | 2019 Current \$ '000 | 2019 Non-current \$ '000 | 2018 Current \$ '000 | 2018 Non-current \$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Payables | | | | |
| Goods and services – operating expenditure | 735 | – | 422 | – |
| Accrued expenses: | | | | |
| – Salaries and wages | 39 | – | 43 | – |
| – Other expenditure accruals | 28 | – | 31 | – |
| ATO – net GST payable | 11 | – | 87 | – |
| Sundry deposits | 45 | – | 77 | – |
| Total payables | 858 | – | 660 | – |
| Income received in advance | | | | |
| Payments received in advance | 167 | – | 114 | – |
| Total income received in advance | 167 | – | 114 | – |
| Borrowings | | | | |
| Loans – secured ¹ | 64 | 69 | 59 | 132 |
| Government advances | 28 | 18 | 28 | 37 |
| Total borrowings | 92 | 87 | 87 | 169 |
| <u>TOTAL PAYABLES AND BORROWINGS</u> | <u>1,117</u> | <u>87</u> | <u>861</u> | <u>169</u> |

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

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

| | 2019 Current \$ '000 | 2019 Non-current \$ '000 | 2018 Current \$ '000 | 2018 Non-current \$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| (a) Payables and borrowings relating to restricted assets | | | | |
| Externally restricted assets | | | | |
| Water | 11 | – | 15 | – |
| Other | 7 | – | 7 | – |
| Payables and borrowings relating to externally restricted assets | 18 | – | 22 | – |
| Total payables and borrowings relating to restricted assets | 18 | – | 22 | – |
| Total payables and borrowings relating to unrestricted assets | 1,099 | 87 | 839 | 169 |
| <u>TOTAL PAYABLES AND BORROWINGS</u> | <u>1,117</u> | <u>87</u> | <u>861</u> | <u>169</u> |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

| | as at 30/6/2018 | | | | | as at 30/6/2019 | |
|---------------------|-------------------------------|-----------------------|-------------------------------------|--|---|-------------------------------|--|
| | Opening Balance \$ '000 | Cash flows \$ '000 | Non-cash acquisitions \$ '000 | Non-cash fair value changes \$ '000 | Other non-cash movements \$ '000 | Closing balance \$ '000 | |
| Loans – secured | 191 | (58) | – | – | – | 133 | |
| Government advances | 65 | (28) | – | 9 | – | 46 | |
| TOTAL | 256 | (86) | – | 9 | – | 179 | |

| | as at 30/6/2017 | | | | | as at 30/6/2018 | |
|---------------------|-------------------------------|-----------------------|-------------------------------------|--|---|-------------------------------|--|
| | Opening Balance \$ '000 | Cash flows \$ '000 | Non-cash acquisitions \$ '000 | Non-cash fair value changes \$ '000 | Other non-cash movements \$ '000 | Closing balance \$ '000 | |
| Loans – secured | 246 | (55) | – | – | – | 191 | |
| Government advances | 82 | (28) | – | 11 | – | 65 | |
| TOTAL | 328 | (83) | – | 11 | – | 256 | |

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

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

| | | |
|--|------------|------------|
| Bank overdraft facilities ¹ | 500 | 500 |
| Credit cards/purchase cards | 25 | 25 |
| Total financing arrangements | 525 | 525 |

Drawn facilities as at balance date:

| | | |
|---|----------|----------|
| – Credit cards/purchase cards | 5 | 2 |
| Total drawn financing arrangements | 5 | 2 |

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions

| | 2019 Current \$ '000 | 2019 Non-current \$ '000 | 2018 Current \$ '000 | 2018 Non-current \$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Provisions | | | | |
| Employee benefits | | | | |
| Annual leave | 453 | – | 463 | – |
| Long service leave | 1,114 | 63 | 1,192 | 52 |
| Sub-total – aggregate employee benefits | 1,567 | 63 | 1,655 | 52 |
| <u>TOTAL PROVISIONS</u> | <u>1,567</u> | <u>63</u> | <u>1,655</u> | <u>52</u> |

(a) Provisions relating to restricted assets

Externally restricted assets

| | | | | |
|---|---------------------|------------------|---------------------|------------------|
| Water | 2 | 10 | 3 | 6 |
| Sewer | 26 | 7 | 23 | 5 |
| Provisions relating to externally restricted assets | 28 | 17 | 26 | 11 |
| Total provisions relating to restricted assets | 28 | 17 | 26 | 11 |
| Total provisions relating to unrestricted assets | 1,539 | 46 | 1,629 | 41 |
| <u>TOTAL PROVISIONS</u> | <u>1,567</u> | <u>63</u> | <u>1,655</u> | <u>52</u> |

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

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

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

| | | |
|---------------------------------|--------------|--------------|
| Provisions – employees benefits | 1,022 | 1,006 |
| | <u>1,022</u> | <u>1,006</u> |

(c) Description of and movements in provisions

| | ELE provisions | | |
|--|-------------------------|----------------------------------|------------------|
| | Annual leave \$ '000 | Long service leave \$ '000 | Total \$ '000 |
| 2019 | | | |
| At beginning of year | 463 | 1,244 | 1,707 |
| Additional provisions | 351 | 129 | 480 |
| Amounts used (payments) | (372) | (278) | (650) |
| Remeasurement effects | 10 | 82 | 92 |
| Other | 1 | – | 1 |
| Total ELE provisions at end of period | 453 | 1,177 | 1,630 |
| 2018 | | | |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

| | ELE provisions | | |
|--|----------------|--------------------|--------------|
| | Annual leave | Long service leave | Total |
| | \$ '000 | \$ '000 | \$ '000 |
| At beginning of year | 467 | 1,387 | 1,854 |
| Additional provisions | 366 | 179 | 545 |
| Amounts used (payments) | (368) | (388) | (756) |
| Remeasurement effects | (2) | 66 | 64 |
| Total ELE provisions at end of period | 463 | 1,244 | 1,707 |

Accounting policy for provisions

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

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

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

Employee benefits**Short-term obligations**

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

(c) Voluntary changes in accounting policies

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

(d) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

| | Notes | 2019 \$ '000 | 2018 \$ '000 |
|---|-------|-----------------|-----------------|
| (a) Reconciliation of cash assets | | | |
| Total cash and cash equivalent assets | 6(a) | 11,849 | 12,704 |
| Balance as per the Statement of Cash Flows | | 11,849 | 12,704 |

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

| | | | |
|---|--|--------------|--------------|
| Net operating result from Income Statement | | 2,708 | 1,046 |
| Adjust for non-cash items: | | | |
| Depreciation and amortisation | | 3,397 | 3,309 |
| Net losses/(gains) on disposal of assets | | 145 | 1,177 |
| Amortisation of premiums, discounts and prior period fair valuations | | | |
| – Interest exp. on interest-free loans received by Council (previously fair valued) | | 9 | 11 |
| Share of net (profits)/losses of associates/joint ventures using the equity method | | 2 | (1) |
| +/- Movement in operating assets and liabilities and other cash items: | | | |
| Decrease/(increase) in receivables | | (433) | (674) |
| Decrease/(increase) in inventories | | (339) | (6) |
| Decrease/(increase) in other current assets | | 23 | (17) |
| Increase/(decrease) in payables | | 313 | 108 |
| Increase/(decrease) in other accrued expenses payable | | (7) | 46 |
| Increase/(decrease) in other liabilities | | (55) | 135 |
| Increase/(decrease) in provision for employee benefits | | (77) | (147) |
| Net cash provided from/(used in) operating activities from the Statement of Cash Flows | | 5,686 | 4,987 |

(c) Non-cash investing and financing activities

Nil

(d) Net cash flows attributable to discontinued operations

Nil

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities

| | Council's share of net income | | Council's share of net assets | |
|----------------|-------------------------------|-----------------|-------------------------------|-----------------|
| | 2019 \$ '000 | 2018 \$ '000 | 2019 \$ '000 | 2018 \$ '000 |
| Joint ventures | (2) | 1 | 52 | 54 |
| Total | (2) | 1 | 52 | 54 |

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

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

(b) Joint arrangements

(i) Joint ventures

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

(a) Net carrying amounts – Council's share

| | Nature of relationship | Measurement method | 2019 | 2018 |
|------------------------------------|------------------------|--------------------|-----------|-----------|
| | | | \$ '000 | \$ '000 |
| North Western Library Co-operative | Joint Venture | At cost | 52 | 54 |
| Total carrying amounts | | | 52 | 54 |

(b) Details

| | Principal activity | Place of business |
|------------------------------------|---|-------------------|
| North Western Library Co-operative | Joint purchasing of books and e-resources | Warren |

(c) Relevant interests and fair values

| | Interest in outputs | | Interest in ownership | | Proportion of voting power | |
|------------------------------------|---------------------|-----------|-----------------------|-----------|----------------------------|-----------|
| | 2019 % | 2018 % | 2019 % | 2018 % | 2019 % | 2018 % |
| North Western Library Co-operative | 25.0% | 25.0% | 25.0% | 25.0% | 25.0% | 25.0% |

(d) Summarised financial information for joint ventures

| | North Western Library Co-operative | |
|--|------------------------------------|-----------------|
| | 2019 \$ '000 | 2018 \$ '000 |
| | | |

Statement of financial position

Current assets

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

| | North Western Library Co-operative | |
|---|---------------------------------------|---------|
| | 2019 | 2018 |
| | \$ '000 | \$ '000 |
| Cash and cash equivalents | 1 | 24 |
| Non-current assets | 51 | 190 |
| Net assets | 52 | 214 |
| Reconciliation of the carrying amount | | |
| Opening net assets (1 July) | 214 | 212 |
| Profit/(loss) for the period | (2) | 2 |
| Closing net assets | 212 | 214 |
| Council's share of net assets (%) | 25.0% | 25.0% |
| Council's share of net assets (\$) | 52 | 54 |
| Statement of comprehensive income | | |
| Income | 227 | 241 |
| Interest income | 1 | 2 |
| Depreciation and amortisation | (73) | (83) |
| Other expenses | (161) | (158) |
| Profit/(loss) from continuing operations | (6) | 2 |
| Profit/(loss) for the period | (6) | 2 |
| Total comprehensive income | (6) | 2 |
| Share of income – Council (%) | 25.0% | 25.0% |
| Profit/(loss) – Council (\$) | (2) | 1 |
| Total comprehensive income – Council (\$) | (2) | 1 |
| Summarised Statement of cash flows | | |
| Cash flows from operating activities | 67 | 84 |
| Cash flows from investing activities | (89) | (69) |
| Net increase (decrease) in cash and cash equivalents | (22) | 15 |

(i) County Councils

Council is a member of the Castlereagh Macquarie County Council, a body corporate established under the Local Government Act 1993 (NSW) to control noxious weeds. Council is one of five constituent council members and does not control the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

(c) Associates

Council has no interest in any associates.

(d) Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

(e) Subsidiaries, joint arrangements and associates not recognised

Orana Joint Organisation

Warren Shire Council is a member of the Orana Joint Organisation along with Bogan, Gilgandra, Narromine, Mid-Western and Warrumbungle Shire Councils.

The principal functions of the Orana Joint Organisation is to:

- establish strategic regional priorities for the Joint Organisation area and develop strategies and plans for delivering these priorities.
- provide regional leadership for the Joint Organisation area and to be an advocate for strategic regional priorities.
- identify and take up opportunities for intergovernmental cooperation on matters relating to the Joint Organisation area.

Other services, functions or types of functions the Orana Joint Organisation will undertake are:

- to provide support for the operations of its Member Councils aimed at strengthening local government in its Joint Organisation area.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments

| | 2019 \$ '000 | 2018 \$ '000 |
|--|-----------------|-----------------|
| (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 | 649 | 674 |
| Plant and equipment | – | 351 |
| Total commitments | 649 | 1,025 |
| These expenditures are payable as follows: | | |
| Within the next year | 649 | 1,025 |
| Total payable | 649 | 1,025 |
| Sources for funding of capital commitments: | | |
| Internally restricted reserves | 478 | 1,025 |
| Other funding - Sale of 56 Garden Ave Warren NSW 2824 | 171 | – |
| Total sources of funding | 649 | 1,025 |
| Details of capital commitments | | |
| Construction of 2 new Council houses | | |

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

(e) Investment in joint operations – commitments

Nil

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.

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 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2019.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$148,120.16. The last valuation of the Scheme was performed by Mr Richard Boyfield, FAII on 31st December 2018, and covers the period ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

The amount of additional contributions included in the total employer contribution advised above is \$89,000.00. Council's expected contribution to the plan for the next annual reporting period is \$129,720.08.

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 | 1,172.0 | 100.4% |

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$146,800 as at 30 June 2019.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

2. Other liabilities

(i) Third party claims

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

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

(ii) Garbage Depot Reinstatement

Garbage is disposed of in pits at the Ewenmar Depot. When a new pit is required the old pit is reinstated at the same time as the digging of the new pit. As a result reinstatement costs are expensed each year. Should current practices change, it will be necessary to consider the need to establish a Garbage Depot Remediation provision.

(iii) Mount Foster Quarry Remediation

Mt Foster is an above ground crushing operation of material that Council utilises from the hill for the supply of road making materials, there will be no remediation costs involved with this operation. The quarry has not been in operation for the last 16 years.

(iv) Gravel Pits Reinstatement

Council's practice with regard to the remediation of road reserve and private property gravel pits is to construct water storage for future road maintenance or a farm dam in return for the use of material where feasible. If this is not feasible for whatever reason then the pit is scarified and seeded upon completion of works undertaken and expensed accordingly, therefore future remediation costs are zero.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 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.

| | Carrying value 2019 \$ '000 | Carrying value 2018 \$ '000 | Fair value 2019 \$ '000 | Fair value 2018 \$ '000 |
|------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Financial assets | | | | |
| Measured at amortised cost | | | | |
| Cash and cash equivalents | 11,849 | 12,704 | 11,849 | 12,704 |
| Receivables | 1,887 | 1,455 | 1,887 | 1,455 |
| Total financial assets | 13,736 | 14,159 | 13,736 | 14,159 |
| Financial liabilities | | | | |
| Payables | 858 | 660 | 858 | 660 |
| Loans/advances | 179 | 256 | 179 | 256 |
| Total financial liabilities | 1,037 | 916 | 1,037 | 916 |

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

The risks associated with the instruments held are:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

• **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature. Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

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

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

| | Increase of values/rates | | Decrease of values/rates | |
|--|--------------------------|-------------------|--------------------------|-------------------|
| | Profit \$ '000 | Equity \$ '000 | Profit \$ '000 | Equity \$ '000 |
| 2019 | | | | |
| Possible impact of a 1% movement in interest rates | 118 | 118 | 118 | 118 |
| 2018 | | | | |
| Possible impact of a 1% movement in interest rates | 127 | 127 | 127 | 127 |

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

Credit risk profile

Receivables – rates and annual charges

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

| | Not yet overdue \$ '000 | < 1 year overdue \$ '000 | 1 - 2 years overdue \$ '000 | 2 - 5 years overdue \$ '000 | > 5 years overdue \$ '000 | Total \$ '000 |
|-----------------------|-------------------------------|--------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------|
| 2019 | | | | | | |
| Gross carrying amount | – | 134 | 23 | 23 | 1 | 181 |
| 2018 | | | | | | |
| Gross carrying amount | – | 115 | 30 | 28 | 1 | 174 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

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.

| | Not yet overdue \$ '000 | 0 - 30 days overdue \$ '000 | 31 - 60 days overdue \$ '000 | 61 - 90 days overdue \$ '000 | > 91 days overdue \$ '000 | Total \$ '000 |
|------------------------|-------------------------------|-----------------------------------|------------------------------------|------------------------------------|---------------------------------|------------------|
| 2019 | | | | | | |
| Gross carrying amount | 203 | 1,320 | 20 | – | 163 | 1,706 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| ECL provision | – | – | – | – | – | – |
| 2018 | | | | | | |
| Gross carrying amount | 1,243 | 3 | 7 | 4 | 24 | 1,281 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| ECL provision | – | – | – | – | – | – |

(c) Liquidity risk

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

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

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

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

| | Weighted average interest rate % | Subject to no maturity \$ '000 | payable in: ≤ 1 Year \$ '000 | 1 - 5 Years \$ '000 | > 5 Years \$ '000 | Total cash outflows \$ '000 | Actual carrying values \$ '000 |
|------------------------------------|--|---|------------------------------------|---------------------------|----------------------|-----------------------------------|---|
| 2019 | | | | | | | |
| Trade/other payables | 0.00% | – | 858 | – | – | 858 | 858 |
| Loans and advances | 6.80% | – | 100 | 64 | – | 164 | 179 |
| Total financial liabilities | | – | 958 | 64 | – | 1,022 | 1,037 |
| 2018 | | | | | | | |
| Trade/other payables | 0.00% | – | 660 | – | – | 660 | 660 |
| Loans and advances | 6.80% | – | 101 | 201 | – | 302 | 256 |
| Total financial liabilities | | – | 761 | 201 | – | 962 | 916 |

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

Note 18. Financial risk management (continued)

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 24/05/2018 and is unaudited.

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

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

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

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

| \$ '000 | 2019 Budget | 2019 Actual | 2019 ----- Variance ----- | |
|--|----------------|----------------|------------------------------|----------------|
| REVENUES | | | | |
| Rates and annual charges | 5,779 | 5,792 | 13 | 0% F |
| User charges and fees | 1,148 | 1,599 | 451 | 39% F |
| Council received additional roadworks on State Highway 11 during 2018/19 financial year. | | | | |
| Interest and investment revenue | 300 | 305 | 5 | 2% F |
| Other revenues | 408 | 457 | 49 | 12% F |
| Operating grants and contributions | 7,615 | 8,745 | 1,130 | 15% F |
| Council received both Federal & State Government grants that were not anticipated when the 2018/19 Estimates were prepared. | | | | |
| Capital grants and contributions | 2,899 | 99 | (2,800) | (97)% U |
| Council budgeted for the renewal of the Sewerage Treatment Plant \$4M (50% Grant) and Swimming Pool Refurbishment \$1.4M (50% Grant) that was not undertaken in 2018/19. | | | | |
| Joint ventures and associates – net profits | – | – | – | ∞ F |
| EXPENSES | | | | |
| Employee benefits and on-costs | 5,375 | 5,746 | (371) | (7)% U |
| Borrowing costs | 13 | 23 | (10) | (77)% U |
| Council does not budget or the fair value expense on the interest free loan. | | | | |
| Materials and contracts | 3,639 | 3,717 | (78) | (2)% U |
| Depreciation and amortisation | 3,744 | 3,397 | 347 | 9% F |
| Other expenses | 1,228 | 1,259 | (31) | (3)% U |
| Net losses from disposal of assets | – | 145 | (145) | ∞ U |
| Council does not budget for gains or losses on the disposal of assets, this loss represents the writing off of road renewal projects. | | | | |
| Joint ventures and associates – net losses | – | 2 | (2) | ∞ U |

STATEMENT OF CASH FLOWS

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations (continued)

| \$ '000 | 2019 Budget | 2019 Actual | 2019 ----- Variance ----- | |
|--|----------------|----------------|------------------------------|----------------|
| Net cash provided from (used in) operating activities | 8,227 | 5,686 | (2,541) | (31)% U |
| Council did not receive the grant income for the Sewerage Treatment Plant renewal or Swimming Pool refurbishment as the works were not undertaken in 2018/19 as anticipated. | | | | |
| Net cash provided from (used in) investing activities | (11,166) | (6,455) | 4,711 | (42)% F |
| Council did not undertake the renewal of the Sewerage Treatment Works or Swimming Pool Refurbishment in 2018/19 | | | | |
| Net cash provided from (used in) financing activities | (86) | (86) | - | 0% F |

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

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

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

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

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

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

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

| 2019 | Notes | Fair value measurement hierarchy | | | Total |
|--|-------|----------------------------------|--------------------------------------|---------------------------------------|----------------|
| | | Date of latest valuation | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | |
| Recurring fair value measurements | | | | | |
| Infrastructure, property, plant and equipment | | | | | |
| | 9(a) | | | | |
| Plant & Equipment | | | – | – | 3,589 |
| Office Equipment | | | – | – | 181 |
| Furniture & Fittings | | | – | – | 158 |
| Operational Land | | 30/06/17 | – | – | 1,691 |
| Community/Crown Land | | | – | – | 1,163 |
| Buildings – Non-Specialised | | 30/06/18 | – | – | 5,104 |
| Buildings– Specialised | | 30/06/18 | – | – | 8,729 |
| Other Structures | | | – | – | 6,350 |
| Roads | | | – | – | 118,989 |
| Bridges | | | – | – | 11,690 |
| Footpaths | | | – | – | 2,719 |
| Stormwater Drainage | | 30/06/19 | – | – | 2,157 |
| Water Supply Network | | 30/06/19 | – | – | 8,520 |
| Sewerage Network | | | – | – | 7,421 |
| Swimming Pools | | | – | – | 53 |
| Other Open Space/Recreational Assets | | | – | – | 1,147 |
| Total infrastructure, property, plant and equipment | | | – | – | 179,661 |

| 2018 | Notes | Fair value measurement hierarchy | | | Total |
|--|-------|----------------------------------|--------------------------------------|---------------------------------------|-------|
| | | Date of latest valuation | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | |
| Recurring fair value measurements | | | | | |
| Infrastructure, property, plant and equipment | | | | | |
| | 9(a) | | | | |
| Plant & Equipment | | | – | – | 3,755 |
| Office Equipment | | | – | – | 88 |
| Furniture & Fittings | | | – | – | 125 |

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

| 2018 | Notes | Date of latest valuation | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | Total |
|--|-------|--------------------------|--------------------------------------|---------------------------------------|---|----------------|
| Operational Land | | 30/06/17 | – | – | 1,706 | 1,706 |
| Community/Crown Land | | | – | – | 1,163 | 1,163 |
| Buildings – Non-Specialised | | 30/06/18 | – | – | 5,335 | 5,335 |
| Buildings– Specialised | | 30/06/18 | – | – | 8,899 | 8,899 |
| Other Structures | | | – | – | 5,992 | 5,992 |
| Roads | | | – | – | 117,904 | 117,904 |
| Bridges | | | – | – | 11,866 | 11,866 |
| Footpaths | | | – | – | 2,343 | 2,343 |
| Stormwater Drainage | | | – | – | 2,197 | 2,197 |
| Water Supply Network | | 30/06/18 | – | – | 8,584 | 8,584 |
| Sewerage Network | | 30/06/18 | – | – | 7,468 | 7,468 |
| Swimming Pools | | | – | – | 67 | 67 |
| Other Open Space/Recreational Assets | | | – | – | 762 | 762 |
| Total infrastructure, property, plant and equipment | | | – | – | 178,254 | 178,254 |

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

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

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

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

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

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

Infrastructure, property, plant and equipment (IPP&E)**Plant & Equipment, Office Equipment and Furniture & Fittings**

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

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks and display boards.

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

Operational & Community Land

Operational & Community Land are based on either the Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land. Operational Land is based on the Valuer General's land value as these are representative of the actual market values in the Warren Shire LGA. As these rates were not considered to be observable market evidence they have been classified a Level 3.

Buildings - Non-Specialised & Specialised

Non-Specialised & Specialised Buildings were valued externally in 2017/18 using the Rawlinson's Construction Guide in June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the building

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

into significant parts. While all buildings were physically inspected and the unit rates based on square metres from Rawlinson's Construction Guide no market based evidence (Level 2) could not be established. As such these assets were classified as having been valued as Level 3 valuation inputs.

While the costs were current and the impact of depreciation negligible, the building has been classified as Level 3 as they are immaterial in relation to the overall value of the asset type.

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

Other Structures

Other Structures comprise of Aerodrome runway, lighting, irrigation systems and fencing etc. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors. No market based evidence (Level 2) could be supported 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

Roads comprise road carriageway, roadside shoulders & kerb & gutter. The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house in June 2015 based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

Bridges

Bridges were valued in-house in June 2015 the unit rates were calculated by indexing the June 2010 rates by the June CPI each year no other reliable rates could be sourced and no bridge replacement was undertaken since the previous revaluation. While all bridges were physically inspected and unit rates based on square metres were used there was no reliable market evidence (Level 2) as other inputs (such as estimates of residual value and pattern of consumption) require extensive professional judgement that impacts significantly on the final determination of fair value

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

Footpaths

Footpaths were valued in-house by Council's Engineering Department in June 2015 and were based on actual cost per square metre of works carried out during the year. Footpaths are inspected annually and condition assessed

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

Drainage Infrastructure

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. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. 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. The Drainage Assets were revalued in June 2015 the unit costs were calculated based on the actual cost to lay 205 metres of 600mm pipe during 2014/15 by external contractor B & D Brouff Excavations P/L and also the NSW Reference Rates Manual as publish by the Office of Water.

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

Water Supply Network

Assets within this class comprise reservoirs, pumping stations and, water pipelines.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. 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. These assets were indexed by 1.6% in 2018/19 as required by the Department of Industry - Water each year according to their published reference rates.

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

Sewerage Network

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. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. 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. These assets were indexed by 1.6% in 2018/19 as required by the Department of Industry - Water each year according to their published reference rates.

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

Swimming Pools

Assets within this class comprise Council's outdoor swimming pool. The swimming pool was valued in-house by experienced staff in Council's Health & Development Department using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

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

Other Open Space/Recreational Assets

Assets within this class comprise synthetic & turf surfaces, lighting, playground equipment etc. All assets in Other Structures were valued in-house by experienced engineering staff.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

| | Plant & equipment \$ '000 | Office equipment \$ '000 | Furniture and fittings \$ '000 | Operational Land \$ '000 | Community / Crown Land \$ '000 |
|--|---|------------------------------------|--------------------------------------|--------------------------------|--------------------------------------|
| 2018 | | | | | |
| Opening balance | 3,059 | 105 | 134 | 1,454 | 1,163 |
| Purchases (GBV) | 1,752 | 16 | 6 | 252 | – |
| Disposals (WDV) | (154) | – | – | – | – |
| Depreciation and impairment | (902) | (33) | (15) | – | – |
| Transfers from Works in Progress | – | – | – | – | – |
| Transfers from Note 8 - Real Estate | – | – | – | – | – |
| Revaluation Increment to Equity | – | – | – | – | – |
| Closing balance | 3,755 | 88 | 125 | 1,706 | 1,163 |
| 2019 | | | | | |
| Opening balance | 3,755 | 88 | 125 | 1,706 | 1,163 |
| Purchases (GBV) | 949 | 136 | 53 | – | – |
| Disposals (WDV) | (275) | – | – | (23) | – |
| Depreciation and impairment | (840) | (43) | (20) | – | – |
| Transfers from Works in Progress | – | – | – | – | – |
| Transfers from Note 8 - Real Estate | – | – | – | 8 | – |
| Revaluation Increment to Equity | – | – | – | – | – |
| Closing balance | 3,589 | 181 | 158 | 1,691 | 1,163 |
| | Buildings non-specialis ed \$ '000 | Building specialised \$ '000 | Other structures \$ '000 | Roads \$ '000 | Bridges \$ '000 |
| 2018 | | | | | |
| Opening balance | 3,788 | 5,369 | 6,092 | 116,827 | 12,043 |
| Purchases (GBV) | 53 | 67 | 37 | 3,118 | – |
| Disposals (WDV) | (28) | (5) | – | (862) | – |
| Depreciation and impairment | (103) | (178) | (140) | (1,523) | (177) |
| FV gains – other comprehensive income | – | – | 3 | – | – |
| Transfers from Works in Progress | – | – | – | 344 | – |
| Transfers from Note 8 - Real Estate | – | – | – | – | – |
| Revaluation Increment to Equity | 1,625 | 3,646 | – | – | – |
| Closing balance | 5,335 | 8,899 | 5,992 | 117,904 | 11,866 |
| 2019 | | | | | |
| Opening balance | 5,335 | 8,899 | 5,992 | 117,904 | 11,866 |
| Purchases (GBV) | – | – | 24 | 2,515 | – |
| Disposals (WDV) | (129) | – | (2) | (449) | – |
| Depreciation and impairment | (102) | (170) | (144) | (1,551) | (176) |
| Transfers from Works in Progress | – | – | 480 | 570 | – |
| Transfers from Note 8 - Real Estate | – | – | – | – | – |
| Revaluation Increment to Equity | – | – | – | – | – |
| Closing balance | 5,104 | 8,729 | 6,350 | 118,989 | 11,690 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

| | Footpaths \$ '000 | Stormwater drainage \$ '000 | Water supply network \$ '000 | Sewerage network \$ '000 | Swimming pools \$ '000 |
|-------------------------------------|----------------------|-----------------------------------|------------------------------------|--|------------------------------|
| 2018 | | | | | |
| Opening balance | 2,386 | 2,237 | 7,675 | 7,642 | 104 |
| Purchases (GBV) | 7 | – | 825 | 217 | – |
| Disposals (WDV) | (3) | – | (1) | (364) | – |
| Depreciation and impairment | (47) | (40) | (220) | (181) | (37) |
| Transfers from Works in Progress | – | – | 148 | – | – |
| Transfers from Note 8 - Real Estate | – | – | – | – | – |
| Revaluation Increment to Equity | – | – | 157 | 154 | – |
| Closing balance | 2,343 | 2,197 | 8,584 | 7,468 | 67 |
| 2019 | | | | | |
| Opening balance | 2,343 | 2,197 | 8,584 | 7,468 | 67 |
| Purchases (GBV) | 423 | – | – | – | 23 |
| Depreciation and impairment | (47) | (40) | (198) | (164) | (37) |
| Transfers from Works in Progress | – | – | – | – | – |
| Transfers from Note 8 - Real Estate | – | – | – | – | – |
| Revaluation Increment to Equity | – | – | 134 | 117 | – |
| Closing balance | 2,719 | 2,157 | 8,520 | 7,421 | 53 |
| <hr/> | | | | | |
| | | | | Open space / recreational \$ '000 | Total \$ '000 |
| 2018 | | | | | |
| Opening balance | | | | 698 | 170,776 |
| Purchases (GBV) | | | | 109 | 6,459 |
| Disposals (WDV) | | | | – | (1,417) |
| Depreciation and impairment | | | | (45) | (3,641) |
| Transfers from Works in Progress | | | | – | 492 |
| Transfers from Note 8 - Real Estate | | | | – | – |
| Revaluation Increment to Equity | | | | – | 5,582 |
| Closing balance | | | | 762 | 178,254 |
| 2019 | | | | | |
| Opening balance | | | | 762 | 178,254 |
| Purchases (GBV) | | | | 445 | 4,568 |
| Disposals (WDV) | | | | – | (878) |
| Depreciation and impairment | | | | (60) | (3,592) |
| Transfers from Works in Progress | | | | – | 1,050 |
| Transfers from Note 8 - Real Estate | | | | – | 8 |
| Revaluation Increment to Equity | | | | – | 251 |
| Closing balance | | | | 1,147 | 179,661 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

Other Structures

\$480K was transferred from Works in Progress for the completion of stage 1 of the CBD improvements in Warren.

Roads

\$570K was transferred out of Works in Progress for the completion of Thornton Road construction (\$200K), Old Warren Road resheeting (\$167K) and Kerb & Gutter renewal of stage 1 of the CBD improvements in Warren (\$203K).

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions

(a) Key management personnel

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

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

| | 2019 \$ '000 | 2018 \$ '000 |
|--------------------------|-----------------|-----------------|
| Compensation: | | |
| Short-term benefits | 783 | 675 |
| Post-employment benefits | 76 | 64 |
| Other long-term benefits | 21 | 18 |
| Termination benefits | – | 265 |
| Total | 880 | 1,022 |

(b) Other transactions with KMP and their related parties

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

| Nature of the transaction | Ref | Value of transactions during year \$ '000 | Outstanding balance (incl. loans and commitments) \$ '000 | Terms and conditions | Provisions for impairment of receivables outstanding \$ '000 | Expense recognised for impairment of receivables \$ '000 |
|---|-----|--|---|----------------------|--|--|
| 2019 | | | | | | |
| Supply of general household goods | 1 | 8 | – | | – | – |
| Motor vehicle servicing & parts | 2 | 13 | – | | – | – |
| Motor vehicle purchases & trades – nett | 3 | 252 | – | | – | – |
| Building renovations & repair | 4 | 1 | – | | – | – |
| 2018 | | | | | | |
| Supply of general household goods | 1 | 6 | – | | – | – |
| Motor vehicle servicing & parts | 2 | 22 | – | | – | – |

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions (continued)

| Nature of the transaction | Ref | Value of transactions during year \$ '000 | Outstanding balance (incl. loans and commitments) \$ '000 | Terms and conditions | Provisions for impairment of receivables outstanding \$ '000 | Expense recognised for impairment of receivables \$ '000 |
|---|--|--|--|----------------------|---|---|
| Motor vehicle purchases & trades – nett | 3 | 189 | – | | – | – |
| Building renovations & repair | 4 | 16 | – | | – | – |
| Rent of Council Building | 5 | 10 | – | | – | – |
| 1 | Council purchases general household goods such as cleaning material, drinks, batteries etc. from the local supermarket of which a KMP is the owner, all goods purchased are at normal retail prices that the general public are offered. | | | | | |
| 2 | Council has it's small plant fleet serviced as per the manufacturer's handbook at the local dealership of which a KMP is a Director, the services are undertaken locally as the other nearest other service centre is 120 kms away, the services are carried out on a normal cost basis as would be charged to the general public. | | | | | |
| 3 | Council advertises and seeks expressions and quotations for the supply and of sale of all motor vehicles, all responses are then evaluated my management and the Plant Committee, a KMP is a Director of a motor vehicle dealership that was successful in the supply and trade of three vehicles, the KMP is not a member of the Plant Committee. | | | | | |
| 4 | Council required urgent repairs to one of it's building after a servere wind storm blew in a front window, this was compensated through insurance, the local building contractor undertaking the repairs is the spouse of a KMP of Council. | | | | | |
| 5 | A KMP rents one of Council's commercial premises at market value as assessed by an independent valuer every two years as per Council's Policy. | | | | | |

(c) Other related party transactions

| | Ref | Value of transactions during year \$ '000 | Outstanding balance (incl. loans and commitments) \$ '000 | Terms and conditions | Provisions for impairment of receivables outstanding \$ '000 | Expense recognised for impairment of receivables \$ '000 |
|--------------------------|-----|--|--|----------------------|---|---|
| 2019 | | | | | | |
| Joint Venture | 1 | 56 | – | | – | – |
| Orana Joint Organisation | 2 | 10 | – | | – | – |
| 2018 | | | | | | |
| Joint Venture | 1 | 55 | – | | – | – |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions (continued)

| | Ref | Value of transactions during year \$ '000 | Outstanding balance (incl. loans and commitments) \$ '000 | Terms and conditions | Provisions for impairment of receivables outstanding \$ '000 | Expense recognised for impairment of receivables \$ '000 |
|--------------------------|-----|--|--|----------------------|---|---|
| Orana Joint Organisation | 2 | – | – | | – | – |
| 1 | | | | | | |
| | | | | | | |
| 2 | | | | | | |

1 Council is a member of a Joint Venture being the North Western Library Co-operative with three other councils, each council contributes an equal amount to the joint venture each year for the operation of the service which is to purchase books and e-resources for the benefit of the residents and ratepayers in the four local government areas.

2 Council is a member of the Orana Joint Organisation with five other councils, each council contributes an amount based on population to the joint organisation each year for the operation of the organisation for the benefit of the residents and ratepayers in each local government areas.

Note 22. Events occurring after the reporting date

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund

| | General ¹ 2019 \$ '000 | Water 2019 \$ '000 | Sewer 2019 \$ '000 |
|--|---|--------------------------|--------------------------|
| Income Statement by fund | | | |
| Income from continuing operations | | | |
| Rates and annual charges | 4,865 | 444 | 483 |
| User charges and fees | 1,202 | 343 | 54 |
| Interest and investment revenue | 233 | 9 | 63 |
| Other revenues | 456 | 1 | – |
| Grants and contributions provided for operating purposes | 8,308 | 429 | 8 |
| Grants and contributions provided for capital purposes | – | – | 99 |
| Total income from continuing operations | 15,064 | 1,226 | 707 |
| Expenses from continuing operations | | | |
| Employee benefits and on-costs | 5,304 | 256 | 186 |
| Borrowing costs | 23 | – | – |
| Materials and contracts | 3,289 | 327 | 101 |
| Depreciation and amortisation | 2,967 | 230 | 200 |
| Other expenses | 1,230 | 23 | 6 |
| Net losses from the disposal of assets | 145 | – | – |
| Share of interests in joint ventures and associates using the equity method | 2 | – | – |
| Total expenses from continuing operations | 12,960 | 836 | 493 |
| Operating result from continuing operations | 2,104 | 390 | 214 |
| Net operating result for the year | 2,104 | 390 | 214 |
| Net operating result attributable to each council fund | 2,104 | 390 | 214 |
| Net operating result for the year before grants and contributions provided for capital purposes | 2,104 | 390 | 115 |

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

| | General ¹ 2019 \$ '000 | Water 2019 \$ '000 | Sewer 2019 \$ '000 |
|---|---|--------------------------|--------------------------|
| Statement of Financial Position by fund | | | |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 8,852 | 556 | 2,441 |
| Receivables | 1,471 | 252 | 81 |
| Inventories | 991 | – | – |
| Other | 11 | – | – |
| Total current assets | 11,325 | 808 | 2,522 |
| Non-current assets | | | |
| Receivables | 38 | 31 | 14 |
| Infrastructure, property, plant and equipment | 165,633 | 8,986 | 8,492 |
| Investments accounted for using the equity method | 52 | – | – |
| Intangible assets | 97 | – | – |
| Total non-current assets | 165,820 | 9,017 | 8,506 |
| TOTAL ASSETS | 177,145 | 9,825 | 11,028 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 847 | 11 | – |
| Income received in advance | 167 | – | – |
| Borrowings | 92 | – | – |
| Provisions | 1,539 | 2 | 26 |
| Total current liabilities | 2,645 | 13 | 26 |
| Non-current liabilities | | | |
| Borrowings | 87 | – | – |
| Provisions | 46 | 10 | 7 |
| Total non-current liabilities | 133 | 10 | 7 |
| TOTAL LIABILITIES | 2,778 | 23 | 33 |
| Net assets | 174,367 | 9,802 | 10,995 |
| EQUITY | | | |
| Accumulated surplus | 91,003 | 5,771 | 4,568 |
| Revaluation reserves | 83,364 | 4,031 | 6,427 |
| Council equity interest | 174,367 | 9,802 | 10,995 |
| Total equity | 174,367 | 9,802 | 10,995 |

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.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000 | Amounts 2019 | Indicator 2019 | Prior periods | | Benchmark |
|--|-----------------|-------------------|---------------|------------|------------|
| | | | 2018 | 2017 | |
| 1. Operating performance ratio | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | 2,756 | | | | |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 16,898 | 16.31% | 10.91% | 23.04% | >0.00% |
| 2. Own source operating revenue ratio | | | | | |
| Total continuing operating revenue excluding all grants and contributions ¹ | 8,109 | | | | |
| Total continuing operating revenue ¹ | 16,997 | 47.71% | 52.67% | 47.59% | >60.00% |
| 3. Unrestricted current ratio | | | | | |
| Current assets less all external restrictions | 9,535 | | | | |
| Current liabilities less specific purpose liabilities | 1,616 | 5.90x | 6.76x | 7.45x | >1.50x |
| 4. Debt service cover ratio | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 6,176 | | | | |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 109 | 56.66x | 44.46x | 62.56x | >2.00x |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | | | |
| Rates, annual and extra charges outstanding | 198 | | | | |
| Rates, annual and extra charges collectible | 5,946 | 3.33% | 3.26% | 2.49% | <5.00% |
| 6. Cash expense cover ratio | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 11,849 | | | | |
| Monthly payments from cash flow of operating and financing activities | 1,015 | 11.67 mths | 13.65 mths | 17.70 mths | >3.00 mths |

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000 | General Indicators ³ | | Water Indicators | | Sewer Indicators | | Benchmark |
|--|---------------------------------|--------|------------------|----------|------------------|---------|-----------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | |
| 1. Operating performance ratio | | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | 14.94% | 12.57% | 31.81% | (16.15)% | 18.91% | 8.01% | >0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | | | | | | | |
| 2. Own source operating revenue ratio | | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 44.67% | 50.23% | 64.27% | 68.12% | 83.73% | 71.65% | >60.00% |
| Total continuing operating revenue ¹ | | | | | | | |
| 3. Unrestricted current ratio | | | | | | | |
| Current assets less all external restrictions | 5.90x | 6.76x | 286.50x | 22.06x | 97.00x | 101.26x | >1.50x |
| Current liabilities less specific purpose liabilities | | | | | | | |
| 4. Debt service cover ratio | | | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 48.08x | 40.88x | ∞ | ∞ | ∞ | ∞ | >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 | 2.62% | 2.39% | 6.49% | 5.95% | 7.25% | 9.14% | <5.00% |
| Rates, annual and extra charges collectible | | | | | | | |
| 6. Cash expense cover ratio | | | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 9.53 | 12.12 | 10.76 | 2.67 | 70.75 | 80.63 | >3.00 |
| Payments from cash flow of operating and financing activities | mths | mths | mths | mths | mths | mths | mths |

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Warren Shire Council

To the Councillors of Warren Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

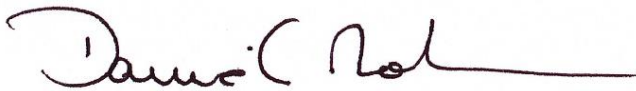
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 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.

A handwritten signature in black ink, appearing to read "David Nolan", with a long horizontal flourish extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

16 October 2019
SYDNEY



Cr Milton Quigley
Mayor
Warren Shire Council
PO Box 6
WARREN NSW 2824

Contact: David Nolan
Phone no: 02 9275 7377
Our ref: D1924481/1802

16 October 2019

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

| | 2019 | 2018 | Variance |
|--|------|------|----------|
| | \$m | \$m | % |
| Rates and annual charges revenue | 5.79 | 5.60 | 3.4 |
| Grants and contributions revenue | 8.84 | 7.36 | 20.1 |
| Operating result for the year | 2.71 | 1.05 | 158 |
| Net operating result before capital grants and contributions | 2.61 | 0.47 | 455 |

Council's operating result (\$2.7 million including the effect of depreciation and amortisation expense of \$3.4 million) was \$1.7 million higher than the 2017–18 result. This was mainly due to an increase in operating grants and contributions.

The net operating result before capital grants and contributions (\$2.6 million) was \$2.1 million higher than the 2017–18 result. This was due to the increase in operating grants and contributions noted above.

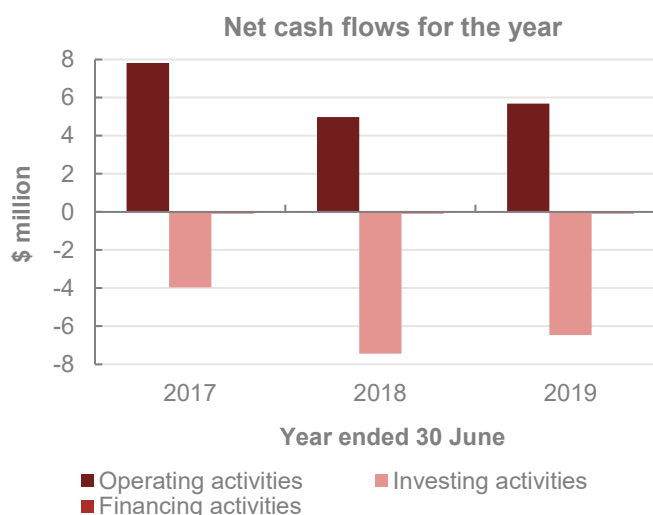
Rates and annual charges revenue (\$5.8 million) increased by 3.4 per cent in 2018–19.

Grants and contributions revenue (\$8.8 million) increased by \$1.5 million in 2018–19 due to:

- Increased financial assistance grants of \$344,000
- An increase in other operating grants of \$1.8 million; primarily for drought funding
- An offsetting decrease in capital grants for water and sewerage services of \$481,000.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$855,000 to \$11.8 million at the close of the year.



FINANCIAL POSITION

Cash and investments

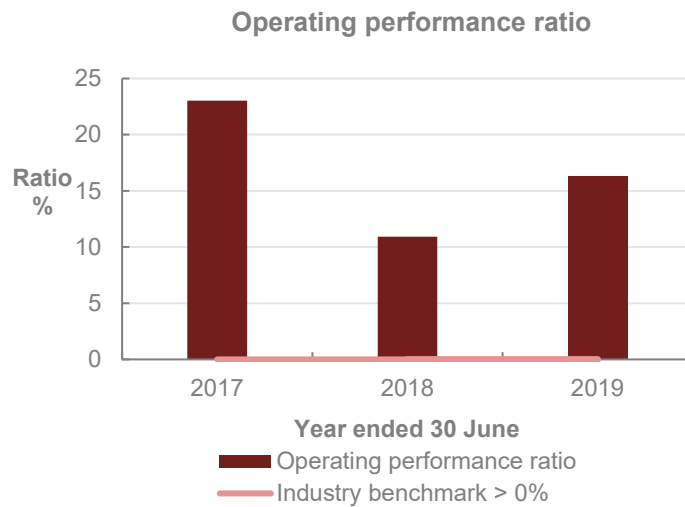
| Cash and investments | 2019 | 2018 | Commentary |
|-----------------------------|-------------|-------------|--|
| | \$m | \$m | |
| External restrictions | 4.3 | 4.2 | • External restrictions include unspent specific purpose grants, contributions and domestic waste charges, and water and sewerage funds. |
| Internal restrictions | 7.0 | 8.0 | |
| Unrestricted | 0.5 | 0.5 | • Balances are internally restricted due to Council policy or decisions for forward plans including works program. |
| Cash and investments | 11.8 | 12.7 | |
| | | | • Unrestricted balances provide liquidity for day-to-day operations. |

PERFORMANCE

Operating performance ratio

- Council's operating performance indicator of 16.3 per cent in 2018–19 (10.9 per cent in 2017–18) exceeded the industry benchmark.
- The increase from the previous year is due to the improved operating result noted above.

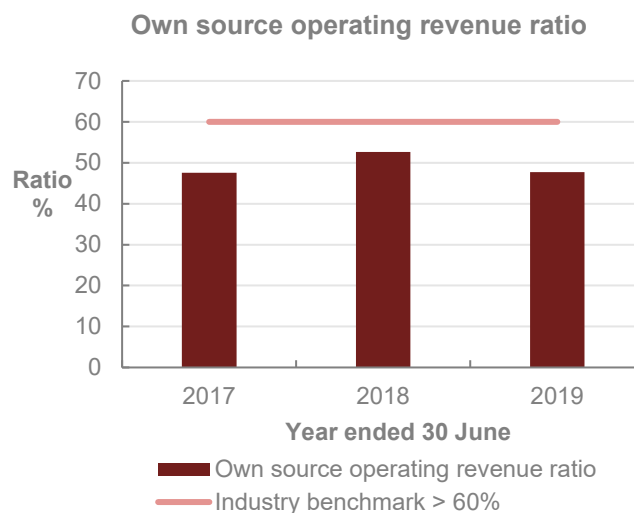
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council's own source operating revenue ratio of 47.7 per cent in 2018–19 (52.7 per cent in 2017–18) failed to meet the industry benchmark.
- This indicator fluctuates with movements in grants and contributions and would increase with the inclusion of the financial assistance grant.

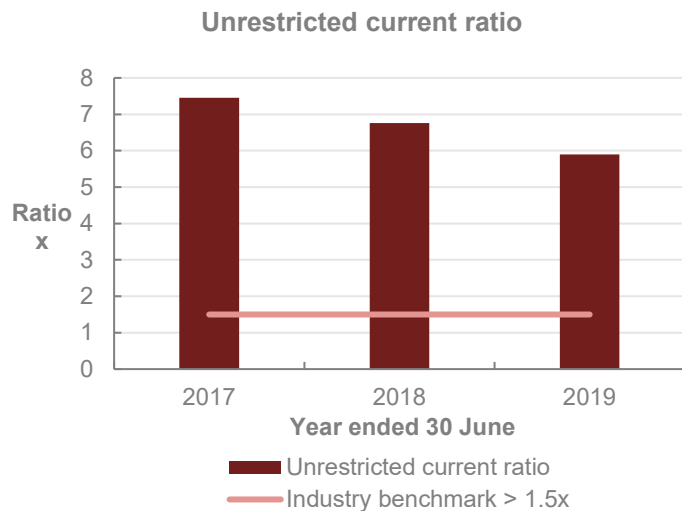
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- This ratio indicated that Council had 5.9 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities.
- Council's unrestricted current ratio decreased to 5.9 as at 30 June 2019 (6.8 for 2018) and exceeded the industry benchmark.

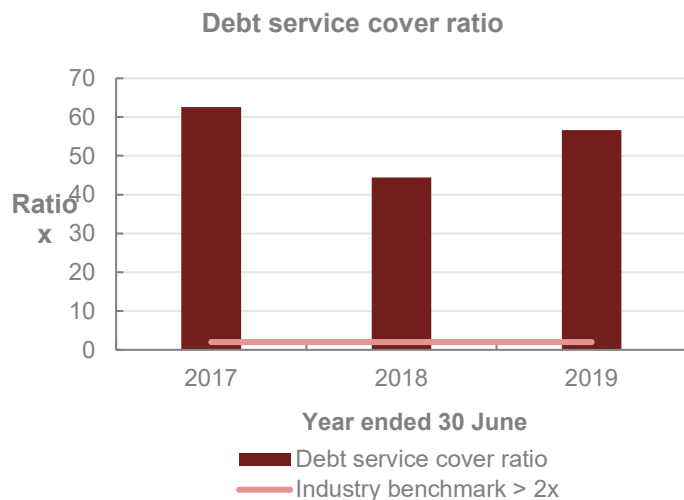
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- The debt service cover ratio for 2018–19 was 56.7 (44.5 in 2017–18) which is above the industry benchmark.
- The variance from the previous is a reflection of the improved operating result.

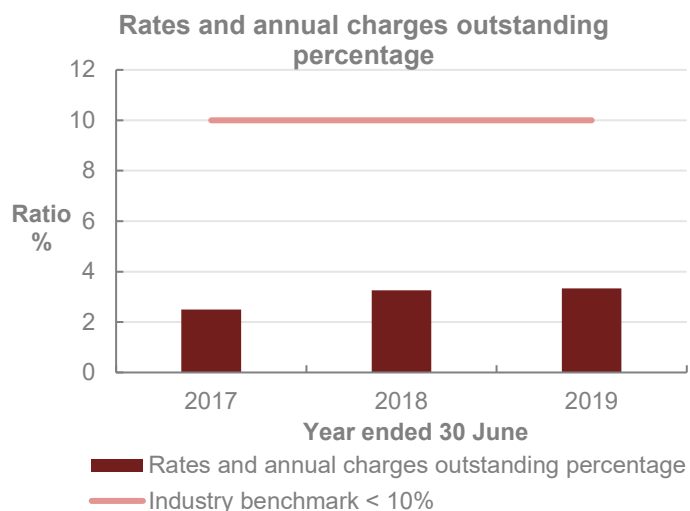
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding per centage

- Council's indicator of 3.2 per cent as at 30 June 2019 (3.3 per cent as at 30 June 2018) met the benchmark.

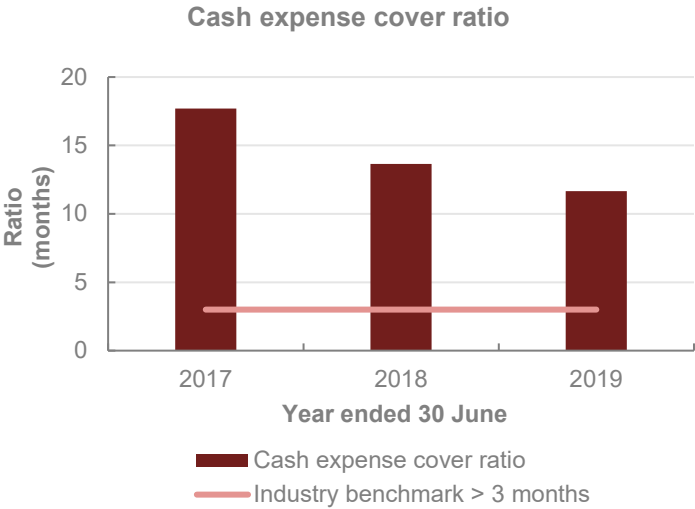
The 'rates and annual charges outstanding per centage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 11.7 months for 2018–19 (13.7 months for 2017–18) exceeded the benchmark.

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



Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$5.9 million and were consistent with the prior year
- Renewals primarily consisted of infrastructure assets and plant and equipment
- The level of asset renewals during the year represented 173 per cent of the total depreciation expense (\$3.4 million) for the year.

OTHER MATTERS

New accounting standards implemented

| Application period | Overview |
|---|---|
| AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures' | |
| For the year ended 30 June 2019 | <p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> • a simplified model for classifying and measuring financial assets • a new method for calculating impairment • a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>The impact of adopting AASB 9 is disclosed in Notes 6 and 7.</p> |

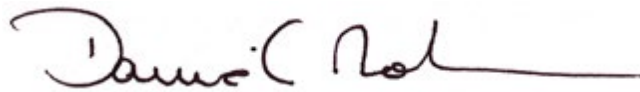
Legislative compliance

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 to the audit.

A handwritten signature in black ink, appearing to read "David Nolan", with a long horizontal flourish extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Glenn Wilcox, General Manager
Jim Betts, Secretary of the Department of Planning, Industry and Environment