

# Nambucca Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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**“Nambucca Valley ~ Living at its best”**



# Nambucca Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2018

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### Overview

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

44 Princess Street  
MACKSVILLE NSW 2447

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

# Nambucca Shire Council

## General Purpose Financial Statements for the year ended 30 June 2018

### Understanding Council's financial statements

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#### Introduction

Each year, individual local governments across New South Wales 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 2018.

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 annual 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.

## Nambucca Shire Council

### General Purpose Financial Statements for the year ended 30 June 2018

### 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 11 October 2018.



Rhonda Hoban  
Mayor  
11 October 2018



John Ainsworth  
Councillor  
11 October 2018



Michael Coulter  
General Manager  
11 October 2018



Craig Doolan  
Responsible Accounting Officer  
11 October 2018

## Nambucca Shire Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
19,602	Rates and annual charges	3a	19,489	19,157
6,630	User charges and fees	3b	6,737	6,774
1,187	Interest and investment revenue	3c	1,298	1,546
708	Other revenues	3d	1,849	4,620
6,341	Grants and contributions provided for operating purposes	3e,f	7,338	10,500
2,676	Grants and contributions provided for capital purposes	3e,f	5,251	4,252
<b>Other income:</b>				
774	Net gains from the disposal of assets	5	–	–
–	Reversal of revaluation decrements / impairment of IPP&E previously expensed	4d	128	223
<b>37,918</b>	<b>Total income from continuing operations</b>		<b>42,090</b>	<b>47,072</b>
<b>Expenses from continuing operations</b>				
10,234	Employee benefits and on-costs	4a	9,450	9,329
2,783	Borrowing costs	4b	2,780	2,874
9,765	Materials and contracts	4c	8,808	9,902
9,412	Depreciation and amortisation	4d	9,648	9,543
2,510	Other expenses	4e	3,133	3,167
–	Net losses from the disposal of assets	5	2,612	881
<b>34,704</b>	<b>Total expenses from continuing operations</b>		<b>36,431</b>	<b>35,696</b>
<b>3,214</b>	<b>Operating result from continuing operations</b>		<b>5,659</b>	<b>11,376</b>
<b>3,214</b>	<b>Net operating result for the year</b>		<b>5,659</b>	<b>11,376</b>
3,214	Net operating result attributable to Council		5,659	11,376
538	Net operating result for the year before grants and contributions provided for capital purposes		408	7,124

## Nambucca Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>5,659</b>	<b>11,376</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	14,601	633
Other movements in reserves – asset disposals		(439)	(55)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>14,162</b>	<b>578</b>
<b>Total other comprehensive income for the year</b>		<b>14,162</b>	<b>578</b>
<b>Total comprehensive income for the year</b>		<b>19,821</b>	<b>11,954</b>
Total comprehensive income attributable to Council		19,821	11,954

## Nambucca Shire Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	6,999	7,437
Investments	6b	20,488	20,110
Receivables	7	4,423	4,959
Inventories	8	1,517	2,822
Other	8	117	83
<b>Total current assets</b>		<b>33,544</b>	<b>35,411</b>
<b>Non-current assets</b>			
Investments	6b	13,476	10,497
Receivables	7	56	63
Inventories	8	1,588	15
Infrastructure, property, plant and equipment	9	452,425	435,371
Intangible assets	10	279	279
<b>Total non-current assets</b>		<b>467,824</b>	<b>446,225</b>
<b>TOTAL ASSETS</b>		<b>501,368</b>	<b>481,636</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	2,827	2,644
Income received in advance	11	415	363
Borrowings	11	3,172	3,122
Provisions	12	3,327	3,699
<b>Total current liabilities</b>		<b>9,741</b>	<b>9,828</b>
<b>Non-current liabilities</b>			
Payables	11	397	356
Borrowings	11	41,390	41,874
Provisions	12	399	397
<b>Total non-current liabilities</b>		<b>42,186</b>	<b>42,627</b>
<b>TOTAL LIABILITIES</b>		<b>51,927</b>	<b>52,455</b>
<b>Net assets</b>		<b>449,441</b>	<b>429,181</b>
<b>EQUITY</b>			
Accumulated surplus	13	317,325	311,227
Revaluation reserves	13	132,116	117,954
Council equity interest		449,441	429,181
<b>Total equity</b>		<b>449,441</b>	<b>429,181</b>

## Nambucca Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018			2017		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
<b>Opening balance</b>		311,227	117,954	<b>429,181</b>	299,796	117,376	<b>417,172</b>
Net operating result for the year prior to correction of errors and changes in accounting policies		<b>5,659</b>	–	<b>5,659</b>	11,376	–	<b>11,376</b>
<b>Net operating result for the year</b>		<b>5,659</b>	–	<b>5,659</b>	<b>11,376</b>	–	<b>11,376</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9a	–	14,601	<b>14,601</b>	–	633	<b>633</b>
<b>Other comprehensive income</b>		–	<b>14,601</b>	<b>14,601</b>	–	<b>633</b>	<b>633</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>5,659</b>	<b>14,601</b>	<b>20,260</b>	<b>11,376</b>	<b>633</b>	<b>12,009</b>
Transfers between equity items		439	(439)	–	55	(55)	–
<b>Equity – balance at end of the reporting period</b>		<b>317,325</b>	<b>132,116</b>	<b>449,441</b>	<b>311,227</b>	<b>117,954</b>	<b>429,181</b>

## Nambucca Shire Council

## Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
19,602	Rates and annual charges		19,466	19,217
6,630	User charges and fees		6,788	7,085
1,187	Investment revenue and interest received		933	1,093
9,017	Grants and contributions		9,495	9,885
–	Bonds, deposits and retention amounts received		140	90
708	Other		5,036	5,691
<b>Payments:</b>				
(9,904)	Employee benefits and on-costs		(9,801)	(9,487)
(9,765)	Materials and contracts		(8,672)	(9,677)
(2,783)	Borrowing costs		(2,555)	(2,606)
–	Bonds, deposits and retention amounts refunded		(90)	(137)
(2,510)	Other		(5,543)	(5,582)
<b>12,182</b>	<b>Net cash provided (or used in) operating activities</b>	14b	<b>15,197</b>	<b>15,572</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
3,560	Sale of investment securities		–	–
1,985	Sale of real estate assets		116	291
217	Sale of infrastructure, property, plant and equipment		293	299
<b>Payments:</b>				
–	Purchase of investment securities		(2,985)	(13)
(13,857)	Purchase of infrastructure, property, plant and equipment		(12,062)	(10,371)
–	Purchase of real estate assets		(375)	(64)
<b>(8,095)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(15,013)</b>	<b>(9,858)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
2,500	Proceeds from borrowings and advances		2,500	1,500
<b>Payments:</b>				
(3,286)	Repayment of borrowings and advances		(3,122)	(2,954)
<b>(786)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(622)</b>	<b>(1,454)</b>
<b>3,301</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(438)</b>	<b>4,260</b>
31,215	Cash and cash equivalents – beginning of year	14a	7,437	3,177
<b>34,516</b>	<b>Cash and cash equivalents – end of the year</b>	14a	<b>6,999</b>	<b>7,437</b>
Additional Information:				
plus:	<b>Investments on hand – end of year</b>	6b	33,964	30,607
	<b>Total cash, cash equivalents and investments</b>		<b>40,963</b>	<b>38,044</b>

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 11/10/2018.

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.

#### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

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

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked .

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

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

#### **(b) Historical cost convention**

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

#### **(c) Significant accounting estimates and judgements**

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

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

#### ***Critical accounting estimates and assumptions***

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

#### **Significant judgements in applying the Council's accounting policies**

- (iv) Impairment of receivables

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

#### **Monies and other assets received by Council**

##### **(a) The Consolidated Fund**

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets 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 other assets 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 other assets subject to Council's control have been included in these reports.

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

- Unknown Trust Deposits - \$3,531.00

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

#### **Goods and Services Tax (GST)**

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

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

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

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below could have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

##### **Effective for annual reporting periods beginning on or after 1 July 2018**

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council does not expect a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

##### **Effective for annual reporting periods beginning on or after 1 July 2019**

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

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

- *AASB 16 Leases*

Council may be party to leases that are not recognised in the Statement of Financial Position.

Some of these leases may need to be included in the Statement of Financial Position when this standard comes into effect.

While Council is still reviewing the financial implications of the standard there has been no material impact determined as yet. If determined, a lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term.

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

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	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)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Administration	15,479	14,923	2,403	471	13,076	14,452	3,074	4,184	20,752	18,769
Public Order and Safety	573	309	1,308	1,280	(735)	(971)	245	229	4,111	2,845
Health	198	189	273	181	(75)	8	–	–	55	40
Environment	679	539	1,256	1,567	(577)	(1,028)	388	369	339	4
Community Services and Education	233	319	305	426	(72)	(107)	169	207	975	804
Housing and Community amenities	5,804	5,999	6,247	6,306	(443)	(307)	64	84	8,164	7,992
Water Supplies	6,513	7,276	5,575	5,471	938	1,805	81	86	111,992	108,890
Sewerage Services	5,657	8,722	5,039	5,151	618	3,571	176	291	85,070	83,913
Recreation and Culture	1,623	741	3,662	3,476	(2,039)	(2,735)	640	257	46,543	38,360
Mining, Manufacturing and Construction	170	180	381	450	(211)	(270)	–	–	–	545
Transport and Communication	5,063	7,734	9,705	10,234	(4,642)	(2,500)	2,559	3,089	221,538	217,521
Economic Affairs	98	141	277	683	(179)	(542)	–	30	1,829	1,953
<b>Total functions and activities</b>	<b>42,090</b>	<b>47,072</b>	<b>36,431</b>	<b>35,696</b>	<b>5,659</b>	<b>11,376</b>	<b>7,396</b>	<b>8,826</b>	<b>501,368</b>	<b>481,636</b>

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **Governance**

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

##### **Administration**

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

##### **Public Order and Safety**

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

##### **Health**

Includes immunisation, food control, health centres etc.

##### **Environment**

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

##### **Community Services and Education**

Includes administration and education; social protection (welfare); Aboriginal and other community services and administration (excluding accommodation - as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; and other family and children services.

##### **Housing and Community amenities**

Includes public cemeteries; public conveniences; town planning; other community amenities.

##### **Recreation and Culture**

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreation and cultural services.

##### **Mining, Manufacturing and Construction**

Includes building control, quarries and pits.

##### **Transport and Communication**

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, bus shelters and services, water transport and street lighting.

##### **Economic Affairs**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; private works and other business undertakings.

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	7,780	7,559
Farmland	961	931
Business	1,086	1,118
<b>Total ordinary rates</b>	<b>9,827</b>	<b>9,608</b>
<b>Special rates</b>		
Environmental	406	395
<b>Total special rates</b>	<b>406</b>	<b>395</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	3,850	3,704
Water supply services	950	953
Sewerage services	3,571	3,481
Drainage	144	143
Waste management services (non-domestic)	741	873
<b>Total annual charges</b>	<b>9,256</b>	<b>9,154</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>19,489</b>	<b>19,157</b>

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

#### Accounting policy for rates and annual charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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.

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(b) User charges and fees</b>		
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)		
Water supply services	3,823	3,823
Sewerage services	843	835
Waste management services (non-domestic)	1,070	1,063
Library	5	5
Other	80	52
<b>Total specific user charges</b>	<b>5,821</b>	<b>5,778</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Building regulation	162	176
Planning and building regulation	201	203
Private works – section 67	47	86
Regulatory/ statutory fees	181	200
Section 149 certificates (EPA Act)	46	51
Section 603 certificates	43	48
Town planning-environmental compliance fees	15	22
Septic tank income	118	107
<b>Total fees and charges – statutory/regulatory</b>	<b>813</b>	<b>893</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Cemeteries	103	103
<b>Total fees and charges – other</b>	<b>103</b>	<b>103</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>6,737</b>	<b>6,774</b>

**Accounting policy for user charges and fees**

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

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest</b>		
– Overdue rates and annual charges (incl. special purpose rates)	150	170
– Cash and investments	776	839
<b>Fair value adjustments</b>		
– Fair valuation movements in investments (at fair value or held for trading)	372	537
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>1,298</b>	<b>1,546</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	150	170
General Council cash and investments	659	736
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	28	44
– Section 64	141	207
Water fund operations	292	430
Sewerage fund operations	161	254
Domestic waste management operations	39	68
<b>Restricted investments/funds – internal:</b>		
Internally restricted assets	(172)	(363)
<b>Total interest and investment revenue recognised</b>	<b>1,298</b>	<b>1,546</b>

**Accounting policy for interest and investment revenue**

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

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
<b>(d) Other revenues</b>			
Fines – parking		25	64
Fines – other		33	15
Administration		12	17
Bank merchant service fees		12	17
Diesel rebate		55	49
Environmental services		57	46
Insurance – premium rebates		26	80
Lease rentals		304	303
Libraries		9	10
Road closure/compulsory acquisition		39	26
Sales – general		15	11
Special meter reading fees		4	5
Other – found assets		1,245	3,971
Other		13	6
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>1,849</u></b>	<b><u>4,620</u></b>

#### Accounting policy for other revenue

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

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

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

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

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	1,300	2,456	–	–
Financial assistance – local roads component	591	1,133	–	–
<b>Payment in advance – future year allocation</b>				
Financial assistance – general component	1,334	1,270	–	–
Financial assistance – local roads component	608	581	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	478	485	–	–
<b>Total general purpose</b>	<b>4,311</b>	<b>5,925</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
Sewerage services	–	–	102	217
Bushfire and emergency services	245	229	–	–
Community care	119	207	–	–
Economic development	–	30	–	–
Employment and training programs	115	127	–	–
Environmental protection	304	203	50	–
Library	203	63	–	–
LIRS subsidy	103	116	–	–
Noxious weeds	84	166	–	–
Public halls	12	17	–	–
Recreation and culture	31	14	394	163
Street lighting	19	19	–	–
Transport (roads to recovery)	1,074	1,240	–	–
Transport (other roads and bridges funding)	33	–	131	–
Other – better waste and recycling	64	84	–	–
Other	2	6	–	–
<b>Total specific purpose</b>	<b>2,408</b>	<b>2,521</b>	<b>677</b>	<b>380</b>
<b>Total grants</b>	<b>6,719</b>	<b>8,446</b>	<b>677</b>	<b>380</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	4,935	6,801	102	217
– State funding	1,782	1,525	575	163
– Other funding	2	120	–	–
	<b>6,719</b>	<b>8,446</b>	<b>677</b>	<b>380</b>

## Partial prepayment of the 18/19 Financial Assistance Grant is recognised as income in the 2017-18 statements and placed in an internal reserve (see Note 6c). The prepayment is included in the financial performance ratios at Note 24 & has a material impact.

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	66	82
S 7.12 – fixed development consent levies		–	–	221	95
S 64 – water supply contributions		–	–	302	759
S 64 – sewerage service contributions		–	–	542	528
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>1,131</b>	<b>1,464</b>
<b>Total developer contributions</b>	22	<b>–</b>	<b>–</b>	<b>1,131</b>	<b>1,464</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Bushfire services		–	–	253	–
Business development		25	5	–	–
Kerb and gutter		–	–	489	–
Libraries		2	–	–	–
Other – developer contributed assets		–	–	–	826
Paving		–	–	40	135
Recreation and culture		24	6	–	–
Roads and bridges		(21)	181	131	–
RMS contributions (regional roads, block grant)		587	1,562	898	1,244
Sewerage (excl. section 64 contributions)		–	–	99	40
Subdivider dedications		–	–	1,509	–
Water supplies (excl. section 64 contributions)		–	–	24	25
Other – aquatic centre		–	25	–	–
Other – landslip restoration		–	211	–	–
Other – loan-sporting bodies and community gifts		–	–	–	138
Other – reimbursement expenses – FESL		–	62	–	–
Other		2	2	–	–
<b>Total other contributions – cash</b>		<b>619</b>	<b>2,054</b>	<b>3,443</b>	<b>2,408</b>
<b>Total contributions</b>		<b>619</b>	<b>2,054</b>	<b>4,574</b>	<b>3,872</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>7,338</b>	<b>10,500</b>	<b>5,251</b>	<b>4,252</b>

**Accounting policy for 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.

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	20,739	19,687
<b>Add:</b> operating grants recognised in the current period but not yet spent period	5,860	5,267
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(3,734)	(4,215)
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>22,865</u>	<u>20,739</u>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	2,739	515
<b>Add:</b> capital grants recognised in the current period but not yet spent period	2,156	2,509
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(2,302)	(285)
<b>Unexpended and held as restricted assets (capital grants)</b>	<u>2,593</u>	<u>2,739</u>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	6,984	6,246
<b>Add:</b> contributions recognised in the current period but not yet spent period	1,300	1,715
<b>Less:</b> contributions recognised in a previous reporting period now spent	(1,168)	(977)
<b>Unexpended and held as restricted assets (contributions)</b>	<u>7,116</u>	<u>6,984</u>

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 4. Expenses from continuing operations

\$ '000	2018	2017
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	7,007	6,840
Employee termination costs (where material – other than vested leave paid)	145	37
Travel expenses	495	458
Employee leave entitlements (ELE)	1,198	1,047
Superannuation	923	943
Workers' compensation insurance	213	312
Fringe benefit tax (FBT)	57	71
Training costs (other than salaries and wages)	149	134
Other	60	47
<b>Total employee costs</b>	<b>10,247</b>	<b>9,889</b>
Less: capitalised costs	(797)	(560)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>9,450</b>	<b>9,329</b>
Number of 'full-time equivalent' employees (FTE) at year end	110	111
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	118	115

#### 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, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

(b) Borrowing costs	2018	2017
<b>(i) Interest bearing liability costs</b>		
Interest on loans	2,581	2,615
<b>Total interest bearing liability costs expensed</b>	<b>2,581</b>	<b>2,615</b>
<b>(ii) Other borrowing costs</b>		
Fair value adjustments on recognition of advances and deferred debtors		
– Remediation liabilities	11	9
Interest applicable on interest free (and favourable) loans to Council	188	250
<b>Total other borrowing costs</b>	<b>199</b>	<b>259</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>2,780</b>	<b>2,874</b>

#### Accounting policy for borrowing costs

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

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(c) Materials and contracts</b>		
Raw materials and consumables	795	846
Contractor and consultancy costs	3,303	3,765
– Beach inspections	69	67
– Cleaning of Council buildings	155	127
– Community consultation	6	39
– Computer system – Civica – Authority	132	119
– Environmental	2	27
– Equipment hire	829	1,159
– Financial	33	26
– Labour hire	389	342
– Sewer	1	–
– Town planning	–	2
– Waste collection contract	2,806	3,108
– Water	33	43
– Contractor and consultancy costs (internal audit)	30	53
Auditors remuneration <sup>(1)</sup>	41	47
Legal expenses:		
– Legal expenses: planning and development	16	–
– Legal expenses: other	168	132
<b>Total materials and contracts</b>	<b>8,808</b>	<b>9,902</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>8,808</b>	<b>9,902</b>

**1. Auditor remuneration**

During the year the following fees were paid or payable 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	41	39
<b>Remuneration for audit and other assurance services</b>	<b>41</b>	<b>39</b>
<b>Total Auditor-General remuneration</b>	<b>41</b>	<b>39</b>

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

Audit and review of financial statements	–	8
<b>Remuneration for audit and other assurance services</b>	<b>–</b>	<b>8</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>–</b>	<b>8</b>
<b>Total Auditor remuneration</b>	<b>41</b>	<b>47</b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		747	686
Office equipment		106	110
Furniture and fittings		8	10
Land improvements (depreciable)		3	3
<b>Infrastructure:</b>			
– Buildings – non-specialised		456	453
– Buildings – specialised		339	345
– Other structures		512	517
– Roads		2,581	2,527
– Bridges		638	633
– Footpaths		102	101
– Stormwater drainage		445	441
– Water supply network		1,554	1,600
– Sewerage network		1,659	1,640
– Swimming pools		37	37
– Other open space/recreational assets		152	152
– Other infrastructure		298	285
<b>Other assets:</b>			
– Heritage collections		1	1
– Library books		90	78
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	9 & 12	20	1
<b>Total gross depreciation and amortisation costs</b>		<b>9,748</b>	<b>9,620</b>
Less: capitalised costs		(100)	(77)
<b>Total depreciation and amortisation costs</b>		<b>9,648</b>	<b>9,543</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
– Roads		–	(223)
– Bridges		(128)	–
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>(128)</b>	<b>(223)</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</b>			
		<b>9,520</b>	<b>9,320</b>

**Accounting policy for depreciation, amortisation and impairment expenses****Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 10 for intangible assets.

**Impairment of non-financial assets**

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

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### (d) Depreciation, amortisation and impairment (continued)

##### Accounting policy for depreciation, amortisation and impairment expenses (cont'd)

##### Impairment of non-financial assets (continued)

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

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

##### Impairment of financial assets

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

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Advertising	72	107
Bad and doubtful debts	(15)	33
Bank charges	58	55
Contributions/levies to other levels of government	64	62
– Bushfire fighting fund	271	264
– Waste levy	536	313
– Other contributions/levies	37	48
Councillor expenses – mayoral fee	25	25
Councillor expenses – councillors' fees	129	104
Councillors' expenses (incl. mayor) – other (excluding fees above)	23	36
Donations, contributions and assistance to other organisations (Section 356)	80	76
– SES vehicle expenses	32	36
Election expenses	–	123
Electricity and heating	609	497
Insurance	509	679
Insurance excess (PI/PL)	13	16
Office expenses (including computer expenses)	103	89
Postage	46	45
Printing and stationery	51	67
Street lighting	266	230
Subscriptions and publications	73	84
Telephone and communications	93	81
Valuation fees	87	62
Other (land development revaluation loss)	(29)	35
<b>TOTAL OTHER EXPENSES</b>	<b>3,133</b>	<b>3,167</b>

##### Accounting policy for other expenses

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

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
<b>Property</b> (excl. investment property)	9		
Proceeds from disposal – property		125	–
Less: carrying amount of property assets sold/written off		(68)	–
<b>Net gain/(loss) on disposal</b>		<b>57</b>	<b>–</b>
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		168	299
Less: carrying amount of plant and equipment assets sold/written off		(83)	(254)
<b>Net gain/(loss) on disposal</b>		<b>85</b>	<b>45</b>
<b>Infrastructure</b>	9		
Less: carrying amount of infrastructure assets sold/written off		(2,752)	(1,035)
<b>Net gain/(loss) on disposal</b>		<b>(2,752)</b>	<b>(1,035)</b>
<b>Real estate assets held for sale</b>	8		
Proceeds from disposal – real estate assets		116	291
Less: carrying amount of real estate assets sold/written off		(118)	(182)
<b>Net gain/(loss) on disposal</b>		<b>(2)</b>	<b>109</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(2,612)</b>	<b>(881)</b>

**Accounting policy for disposal of assets**

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 derecognised.

## Note 6(a). Cash and cash equivalent assets

<b>Cash and cash equivalents</b>			
Cash on hand and at bank		3,349	3,851
Cash-equivalent assets			
– Deposits at call		3,650	3,586
<b>Total cash and cash equivalents</b>		<b>6,999</b>	<b>7,437</b>

**Accounting policy for cash and cash equivalents**

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes 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.

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 6(b). Investments

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Investments</b>				
<b>a. 'At fair value through the profit and loss'</b>				
– 'Designated at fair value on initial recognition'	6,520	–	6,284	–
<b>b. 'Held to maturity' – at cost</b>	13,968	13,476	13,826	10,497
<b>Total investments</b>	<b>20,488</b>	<b>13,476</b>	<b>20,110</b>	<b>10,497</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>				
	<b>27,487</b>	<b>13,476</b>	<b>27,547</b>	<b>10,497</b>
<b>Financial assets at fair value through the profit and loss</b>				
Managed funds	4,709	–	4,633	–
Tcorp	1,811	–	1,651	–
<b>Total</b>	<b>6,520</b>	<b>–</b>	<b>6,284</b>	<b>–</b>
<b>Held to maturity investments</b>				
Long term deposits	12,963	9,712	13,826	6,497
NCD's, FRN's (with maturities > 3 months)	1,005	3,764	–	4,000
<b>Total</b>	<b>13,968</b>	<b>13,476</b>	<b>13,826</b>	<b>10,497</b>

**Accounting policy for investments****Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; and held-to-maturity investments.

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

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

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

**(b) Held to maturity investments**

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

**Recognition and de-recognition**

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

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	27,487	13,476	27,547	10,497
<b>attributable to:</b>				
External restrictions (refer below)	19,098	13,476	19,965	10,497
Internal restrictions (refer below)	3,736	–	3,530	–
Unrestricted	4,653	–	4,052	–
	<b>27,487</b>	<b>13,476</b>	<b>27,547</b>	<b>10,497</b>

\$ '000	2018		2017	
<b>Details of restrictions</b>				
<b>External restrictions – included in liabilities</b>				
Specific purpose unexpended loans – general			1,319	553
Security deposits			564	514
			<b>1,883</b>	<b>1,067</b>
<b>External restrictions – included in liabilities</b>				
<b>External restrictions – other</b>				
Developer contributions – general			1,123	1,072
Developer contributions – water fund			5,280	4,976
Developer contributions – sewer fund			713	936
Specific purpose unexpended grants			2,593	2,739
Water supplies			13,445	12,543
Sewerage services			6,319	6,284
Domestic waste management			1,218	845
			<b>30,691</b>	<b>29,395</b>
<b>External restrictions – other</b>			<b>30,691</b>	<b>29,395</b>
<b>Total external restrictions</b>			<b>32,574</b>	<b>30,462</b>
<b>Internal restrictions</b>				
Plant and vehicle replacement			641	281
Employees leave entitlement			1,636	1,829
Council building reserve			274	244
Election			69	34
Environment rate unallocated			435	343
Land development			(1,019)	(628)
Lawn cemetery			8	8
Office equipment			137	127
Other contributions			163	191
Public road/reserve sales			45	45
Stormwater management			213	186
Swimming pool			156	127
Waste management			978	743
			<b>3,736</b>	<b>3,530</b>
<b>Total internal restrictions</b>			<b>3,736</b>	<b>3,530</b>
<b>TOTAL RESTRICTIONS</b>			<b>36,310</b>	<b>33,992</b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	948	–	941	–
Interest and extra charges	141	–	161	–
User charges and fees	1,698	–	1,697	–
Accrued revenues				
– Interest on investments	293	–	280	–
Flood damage (RMS)	79	–	459	–
General	394	–	1,004	–
Government grants and subsidies	280	–	–	–
Loans to sporting clubs	7	56	7	63
Net GST receivable	358	–	365	–
On site sewer management	9	–	6	–
Other debtors – waste	64	–	96	–
Other debtors - RFS	193	–	–	–
<b>Total</b>	<b>4,464</b>	<b>56</b>	<b>5,016</b>	<b>63</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	(41)	–	(57)	–
<b>Total provision for impairment – receivables</b>	<b>(41)</b>	<b>–</b>	<b>(57)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>4,423</u></b>	<b><u>56</u></b>	<b><u>4,959</u></b>	<b><u>63</u></b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Rates and availability charges	1,242	–	1,202	–
<b>Sewerage services</b>				
– Rates and availability charges	417	–	423	–
– Other	339	–	372	–
<b>Domestic waste management</b>	<b>276</b>	<b>–</b>	<b>29</b>	<b>–</b>
<b>Total external restrictions</b>	<b>2,274</b>	<b>–</b>	<b>2,026</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>2,149</b>	<b>56</b>	<b>2,933</b>	<b>63</b>
<b>TOTAL NET RECEIVABLES</b>	<b>4,423</b>	<b>56</b>	<b>4,959</b>	<b>63</b>
<b>Movement in provision for impairment of receivables</b>			<b>2018</b>	<b>2017</b>
Balance at the beginning of the year			57	26
+ new provisions recognised during the year			41	31
– amounts provided for but recovered during the year			(57)	–
<b>Balance at the end of the year</b>			<b>41</b>	<b>57</b>

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables (continued)

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##### **Accounting policy for receivables**

###### **Recognition and measurement**

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

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

###### **Impairment**

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 on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

## Nambucca Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale (refer below)	499	1,585	1,416	12
Stores and materials	1,018	–	1,007	–
<b>Total inventories at cost</b>	<b>1,517</b>	<b>1,585</b>	<b>2,423</b>	<b>12</b>
<b>(ii) Inventories at net realisable value (NRV)</b>				
Real estate for resale (refer below)	–	3	399	3
<b>Total inventories at net realisable value (NRV)</b>	<b>–</b>	<b>3</b>	<b>399</b>	<b>3</b>
<b>TOTAL INVENTORIES</b>	<b>1,517</b>	<b>1,588</b>	<b>2,822</b>	<b>15</b>
<b>(b) Other assets</b>				
Prepayments	117	–	83	–
<b>TOTAL OTHER ASSETS</b>	<b>117</b>	<b>–</b>	<b>83</b>	<b>–</b>
<b>Externally restricted assets</b>				
<b>Water</b>				
Stores and materials	33	–	36	–
<b>Total water</b>	<b>33</b>	<b>–</b>	<b>36</b>	<b>–</b>
<b>Total externally restricted assets</b>	<b>33</b>	<b>–</b>	<b>36</b>	<b>–</b>
<b>Total unrestricted assets</b>	<b>1,601</b>	<b>1,588</b>	<b>2,869</b>	<b>15</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>1,634</b>	<b>1,588</b>	<b>2,905</b>	<b>15</b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
<b>(i) Other disclosures</b>					
<b>(a) Details for real estate development</b>					
Residential		–	15	76	15
Industrial/commercial		499	1,573	1,739	–
<b>Total real estate for resale</b>		<b>499</b>	<b>1,588</b>	<b>1,815</b>	<b>15</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		470	1,271	1,715	15
Development costs		29	317	100	–
<b>Total costs</b>		<b>499</b>	<b>1,588</b>	<b>1,815</b>	<b>15</b>
<b>Total real estate for resale</b>		<b>499</b>	<b>1,588</b>	<b>1,815</b>	<b>15</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		1,815	15	1,927	21
– Purchases and other costs		29	–	100	–
– WDV of sales (expense)	5	(118)	–	(182)	–
– Transfer between current/non-current		(1,227)	1,573	–	–
– Other		–	–	(30)	(6)
<b>Total real estate for resale</b>		<b>499</b>	<b>1,588</b>	<b>1,815</b>	<b>15</b>

**Accounting policy****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 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 during development.

When development is completed other holding charges are expensed as incurred.

## Nambucca Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

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

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment reversal / prior period revaluation decrements reversal (via P&L)	Adjustments and transfers	Adjustments through CY P & L	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	2,554	–	2,554	1,573	607	–	–	–	–	(2,280)	–	–	2,454	–	2,454
Plant and equipment	12,405	8,111	4,294	642	453	–	(89)	(747)	–	–	–	12,964	8,411	4,553	
Office equipment	1,805	1,419	386	68	3	–	–	(106)	–	–	–	1,834	1,482	352	
Furniture and fittings	433	395	38	–	4	–	–	(8)	–	–	–	437	403	34	
<b>Land:</b>															
– Operational land	6,552	–	6,552	–	–	–	(72)	–	–	–	11	1,760	8,251	–	8,251
– Community land	17,635	–	17,635	–	–	–	–	–	–	–	–	–	17,635	–	17,635
– Land under roads (post 30/6/08)	3,046	–	3,046	–	181	–	–	–	–	–	–	–	3,227	–	3,227
Land improvements – depreciable	249	26	223	–	–	–	–	(3)	–	–	–	–	249	29	220
<b>Infrastructure:</b>															
– Buildings – non-specialised	22,136	12,247	9,889	164	–	–	(2)	(456)	–	69	372	5,475	23,280	7,769	15,511
– Buildings – specialised	15,960	7,373	8,587	240	161	–	(213)	(339)	–	259	223	4,044	16,426	3,464	12,962
– Other structures	12,889	7,059	5,830	65	106	–	(46)	(512)	–	40	–	–	13,046	7,563	5,483
– Roads	135,848	50,691	85,157	4,784	569	6	(1,661)	(2,581)	–	609	328	–	138,469	51,257	87,212
– Bridges	41,275	13,077	28,198	812	–	–	(365)	(638)	128	601	–	–	41,620	12,884	28,736
– Footpaths	8,614	2,317	6,297	12	543	–	(4)	(102)	–	–	–	–	9,162	2,416	6,746
– Bulk earthworks (non-depreciable)	44,764	–	44,764	42	29	–	–	–	–	–	169	–	45,004	–	45,004
– Stormwater drainage	42,767	12,888	29,879	31	215	4	(28)	(445)	–	14	1	–	42,972	13,301	29,671
– Water supply network	124,193	37,851	86,342	807	125	–	(155)	(1,554)	–	4	118	1,794	127,235	39,753	87,482
– Sewerage network	109,067	34,945	74,122	784	128	–	(188)	(1,659)	–	622	23	1,528	112,487	37,127	75,360
– Swimming pools	2,257	1,175	1,082	–	–	–	–	(37)	–	–	–	–	2,257	1,213	1,044
– Other open space/recreational assets	5,454	2,042	3,412	79	64	–	(38)	(152)	–	19	–	–	5,526	2,142	3,384
– Other infrastructure	19,103	2,499	16,604	100	240	–	(39)	(298)	–	43	–	–	19,431	2,781	16,650
<b>Other assets:</b>															
– Heritage collections	120	37	83	–	–	–	–	(1)	–	–	–	–	120	38	82
– Library books	455	183	272	–	87	–	–	(90)	–	–	–	–	542	274	268
– Other	7	1	6	–	–	–	–	–	–	–	–	–	7	2	5
<b>Reinstatement, rehabilitation and restoration assets (refer Note 12):</b>															
– Tip assets	259	140	119	–	–	–	–	(20)	–	–	–	–	259	160	99
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>629,847</b>	<b>194,476</b>	<b>435,371</b>	<b>10,203</b>	<b>3,515</b>	<b>10</b>	<b>(2,900)</b>	<b>(9,748)</b>	<b>128</b>	<b>–</b>	<b>1,245</b>	<b>14,601</b>	<b>644,894</b>	<b>192,469</b>	<b>452,425</b>

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

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	3 to 10	Playground equipment	10 to 25
Office furniture	10 to 20	Benches, seats etc.	15 to 80
Computer equipment	4		
Vehicles	3 to 5	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 15	Buildings: masonry	15 to 140
Other plant and equipment	5 to 30	Buildings: other	40 to 65
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	20 to 120	Drains	80 to 105
Bores	20 to 60	Culverts	75 to 100
Reticulation pipes: PVC	70	Flood control structures	70
Reticulation pipes: other	40 to 100		
Pumps and telemetry	20 to 40		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	20 to 30	Bulk earthworks	Infinite
Sealed roads: structure	60 to 90	Swimming pools	60 to 80
Unsealed roads	20 to 25	Unsealed roads	20 to 25
Bridge: concrete	80 to 95	Other open space/recreational assets	15 to 80
Bridge: other	30 to 80	Other infrastructure	15 to 100
Kerb, gutter and footpaths	60 to 85		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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##### **Accounting policy for infrastructure, property, plant and equipment (continued)**

###### **Land under roads**

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

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

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

###### **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 fire fighting 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 fire fighting equipment has been purchased or constructed".

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	12	–	12	4	–	4
Plant and equipment	647	182	465	587	187	400
Office equipment	10	10	–	10	10	–
Furniture and fittings	2	2	–	2	2	–
Land						
– Operational land	2,202	–	2,202	1,506	–	1,506
– Community land	28	–	28	27	–	27
Buildings	800	142	658	1,049	196	853
Other structures	244	45	199	244	36	208
Infrastructure	127,235	39,753	87,482	124,193	37,851	86,342
Other assets	2,921	188	2,733	2,869	117	2,752
<b>Total water supply</b>	<b>134,101</b>	<b>40,322</b>	<b>93,779</b>	<b>130,491</b>	<b>38,399</b>	<b>92,092</b>
<b>Sewerage services</b>						
WIP	366	–	366	863	–	863
Plant and equipment	563	181	382	586	361	225
Office equipment	7	7	–	7	7	–
Furniture and fittings	7	7	–	7	7	–
Land						
– Operational land	1,541	–	1,541	1,294	–	1,294
– Community land	669	–	669	669	–	669
Buildings	1,259	169	1,090	1,173	316	857
Other structures	546	198	348	503	182	321
Infrastructure	112,487	37,127	75,360	109,068	34,945	74,123
Other assets	1,810	356	1,454	1,586	185	1,401
<b>Total sewerage services</b>	<b>119,255</b>	<b>38,045</b>	<b>81,210</b>	<b>115,756</b>	<b>36,003</b>	<b>79,753</b>
<b>Domestic waste management</b>						
WIP	23	–	23	168	–	168
Plant and equipment	903	651	252	903	617	286
Land						
– Operational land	525	–	525	625	–	625
Buildings	520	51	469	201	95	106
Other structures	5,940	4,567	1,373	5,934	4,336	1,598
<b>Total DWM</b>	<b>7,911</b>	<b>5,269</b>	<b>2,642</b>	<b>7,831</b>	<b>5,048</b>	<b>2,783</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>261,267</b>	<b>83,636</b>	<b>177,631</b>	<b>254,078</b>	<b>79,450</b>	<b>174,628</b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 9(c). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2018	2017
Reversal of impairment losses previously recognised in the Income Statement:			
– Correction of June 2016 Impairment of Flood Damage		–	223
–Correction - Bradley's Bridge Flood Damage		128	–
<b>Total impairment reversals</b>		<b>128</b>	<b>223</b>
<b><u>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</u></b>	4(d)	<b><u>128</u></b>	<b><u>223</u></b>

## Note 10. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
<b>Opening values:</b>		
Gross book value (1/7)	279	278
<b>Net book value – opening balance</b>	<b>279</b>	<b>278</b>
<b>Movements for the year</b>		
– Purchases	–	1
<b>Closing values:</b>		
Gross book value (30/6)	279	279
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b> <sup>1</sup>	<b><u>279</u></b>	<b><u>279</u></b>

<sup>1</sup> The net book value of intangible assets represent:

– Land easements – water storage dam	279	279
	<b>279</b>	<b>279</b>

## Accounting policy for intangible assets

## Land Easements - Water Storage Dam

These are recognised at cost. The assets are periodically reviewed and are considered to have an indefinite life.

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	2,132	–	1,985	–
Accrued expenses:				
– Borrowings	312	–	285	–
– Salaries and wages	179	–	150	–
– Other expenditure accruals	26	–	25	–
Security bonds, deposits and retentions	167	397	158	356
Other – builders LSL	–	–	31	–
Other	11	–	10	–
<b>Total payables</b>	<b>2,827</b>	<b>397</b>	<b>2,644</b>	<b>356</b>
<b>Income received in advance</b>				
Payments received in advance	415	–	363	–
<b>Total income received in advance</b>	<b>415</b>	<b>–</b>	<b>363</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	3,172	41,390	3,122	41,874
<b>Total borrowings</b>	<b>3,172</b>	<b>41,390</b>	<b>3,122</b>	<b>41,874</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>6,414</b>	<b>41,787</b>	<b>6,129</b>	<b>42,230</b>

## (a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Water	516	22,521	492	22,922
Sewer	1,450	3,666	1,626	4,882
<b>Total payables and borrowings relating to restricted assets</b>	<b>1,966</b>	<b>26,187</b>	<b>2,118</b>	<b>27,804</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>4,448</b>	<b>15,600</b>	<b>4,011</b>	<b>14,426</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>6,414</b>	<b>41,787</b>	<b>6,129</b>	<b>42,230</b>

<sup>1</sup> Loans are secured over the general rating income of Council

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

## (b) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	44,996	(2,934)	2,500	–	–	44,562
<b>TOTAL</b>	<b>44,996</b>	<b>(2,934)</b>	<b>2,500</b>	<b>–</b>	<b>–</b>	<b>44,562</b>

## Nambucca Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(c) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Credit cards/purchase cards	75	43
<b>Total financing arrangements</b>	<b>75</b>	<b>43</b>
<b>Undrawn facilities as at balance date:</b>		
– Credit cards/purchase cards	75	43
<b>Total undrawn financing arrangements</b>	<b>75</b>	<b>43</b>

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

##### 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.

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.

## Nambucca Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	719	–	772	–
Sick leave	737	–	926	–
Long service leave	1,733	42	1,837	50
Other leave	138	–	164	–
<b>Sub-total – aggregate employee benefits</b>	<b>3,327</b>	<b>42</b>	<b>3,699</b>	<b>50</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	357	–	347
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>357</b>	<b>–</b>	<b>347</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>3,327</u></b>	<b><u>399</u></b>	<b><u>3,699</u></b>	<b><u>397</u></b>

**(a) Provisions relating to restricted assets**

There are no restricted assets (external or internal) applicable to the above provisions

\$ '000	2018	2017
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**(b) Current provisions not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	1,873	2,379
	<b><u>1,873</u></b>	<b><u>2,379</u></b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 12. Provisions (continued)

\$ '000

## (c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	772	926	1,887	–	164	3,749
Additional provisions	614	334	261	–	–	1,209
Amounts used (payments)	(667)	(523)	(373)	–	(26)	(1,589)
Total ELE provisions at end of year	<b>719</b>	<b>737</b>	<b>1,775</b>	<b>–</b>	<b>138</b>	<b>3,369</b>

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	726	938	2,089	–	156	3,909
Additional provisions	600	290	175	–	8	1,073
Amounts used (payments)	(554)	(302)	(377)	–	–	(1,233)
Total ELE provisions at end of year	<b>772</b>	<b>926</b>	<b>1,887</b>	<b>–</b>	<b>164</b>	<b>3,749</b>

2018	Other provisions	
	Asset remediation	Total
At beginning of year	347	347
Changes to provision:		
Unwinding of discount	10	10
Total other provisions at end of year	<b>357</b>	<b>357</b>

2017	Other provisions	
	Asset remediation	Total
At beginning of year	512	512
Changes to provision:		
Remeasurement effects	(174)	(174)
Unwinding of discount	9	9
Total other provisions at end of year	<b>347</b>	<b>347</b>

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

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##### **Nature and purpose of non-employee benefit provisions**

###### **Asset remediation**

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

###### **Accounting policy for provisions**

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

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

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

##### **Employee benefits**

###### **Short-term obligations**

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

###### **Other long-term employee benefit obligations**

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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.

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

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

###### ***Restoration***

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

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

###### ***Rehabilitation***

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

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

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

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

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

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

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### 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.

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

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	6,999	7,437
<b>Balance as per the Statement of Cash Flows</b>		<b>6,999</b>	<b>7,437</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>5,659</b>	<b>11,376</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		9,648	9,543
Net losses/(gains) on disposal of assets		2,612	881
Non-cash capital grants and contributions		(2,814)	(4,934)
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L		(128)	(223)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(372)	(537)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		188	250
Unwinding of discount rates on reinstatement provisions		10	9
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		559	(763)
Increase/(decrease) in provision for doubtful debts		(16)	31
Decrease/(increase) in inventories		(11)	(108)
Decrease/(increase) in other assets		(34)	(5)
Increase/(decrease) in payables		147	333
Increase/(decrease) in accrued interest payable		27	9
Increase/(decrease) in other accrued expenses payable		30	7
Increase/(decrease) in other liabilities		72	37
Increase/(decrease) in employee leave entitlements		(380)	(160)
Increase/(decrease) in other provisions		–	(174)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>15,197</b>	<b>15,572</b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 14. Statement of cash flows – additional information (continued)

\$ '000	Notes	2018	2017
<b>(c) Non-cash investing and financing activities</b>			
Bushfire grants		60	–
Subdivisions		1,509	893
Other – Loan – Gordon Park Tennis Club		–	70
Other non-cash items – Found Assets		1,245	3,934
Other non-cash items – Found Assets – inventory		–	37
<b>Total non-cash investing and financing activities</b>		<b>2,814</b>	<b>4,934</b>

## Note 15. Commitments for expenditure

## 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**

Structures	1,398	700
Roads	1,700	4,387
Bridges	880	2,885
<b>Total commitments</b>	<b>3,978</b>	<b>7,972</b>

**These expenditures are payable as follows:**

Within the next year	3,808	7,972
Later than one year and not later than 5 years	170	–
<b>Total payable</b>	<b>3,978</b>	<b>7,972</b>

**Sources for funding of capital commitments:**

Future grants and contributions	3,185	2,620
Internally restricted reserves	793	3,248
<b>Total sources of funding</b>	<b>3,978</b>	<b>7,972</b>

**Details of capital commitments**

\*Road Construction

\*Upgrade of Water Recycled Water System

\*Bridge Construction

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. Contingencies and other liabilities/assets not recognised

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

##### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

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

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

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

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of any share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

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

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

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

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

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

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### LIABILITIES NOT RECOGNISED (continued):

##### 1. Guarantees (continued)

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

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$ 272,047.98.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$ 269,344.92.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 37% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

##### (ii) Statewide Limited

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

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

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

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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##### **LIABILITIES NOT RECOGNISED (continued):**

##### **1. Guarantees (continued)**

##### **(iii) StateCover Limited**

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

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

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

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

##### **(iv) Other guarantees**

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

##### **2. Other liabilities**

##### **(i) Third party claims**

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

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

##### **ASSETS NOT RECOGNISED:**

##### **(i) 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.

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Financial risk management

\$ '000

##### 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		Fair value	
	2018	2017	2018	2017
<b>Financial assets</b>				
Cash and cash equivalents	6,999	7,437	6,999	7,437
Investments				
– 'Designated at fair value on initial recognition'	6,520	6,284	6,520	6,284
– 'Held to maturity'	27,444	24,323	27,444	24,323
Receivables	4,479	5,022	4,479	5,022
<b>Total financial assets</b>	<b>45,442</b>	<b>43,066</b>	<b>45,442</b>	<b>43,066</b>
<b>Financial liabilities</b>				
Payables	3,224	3,000	3,224	3,000
Loans/advances	44,562	44,996	44,562	44,996
<b>Total financial liabilities</b>	<b>47,786</b>	<b>47,996</b>	<b>47,786</b>	<b>47,996</b>

Fair value is determined as follows:

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

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2018</b>				
Possible impact of a 10% movement in market values	652	652	(652)	(652)
Possible impact of a 1% movement in interest rates	377	377	(377)	(377)
<b>2017</b>				
Possible impact of a 10% movement in market values	628	628	(628)	(628)
Possible impact of a 1% movement in interest rates	343	343	(343)	(343)

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	94%	96%	93%	96%
Overdue	6%	4%	7%	4%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<b>(ii) Ageing of receivables – value</b>			2018	2017
<b>Rates and annual charges</b>				
Current			889	878
1 – 2 years overdue			59	63
			<u>948</u>	<u>941</u>
<b>Other receivables</b>				
Current			3,420	3,765
0 – 30 days overdue			51	215
31 – 60 days overdue			9	25
61 – 90 days overdue			1	7
> 91 days overdue			91	126
			<u>3,572</u>	<u>4,138</u>

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Financial risk management (continued)

\$ '000

##### (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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The contractual undiscounted cash outflows (i.e.. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
<b>2018</b>							
Trade/other payables		564	2,132	528	-	3,224	3,224
Borrowings	5.75%	-	3,172	8,937	32,453	44,562	44,562
<b>Total financial liabilities</b>		<b>564</b>	<b>5,304</b>	<b>9,465</b>	<b>32,453</b>	<b>47,786</b>	<b>47,786</b>
<b>2017</b>							
Trade/other payables		514	1,985	501	-	3,000	3,000
Borrowings	5.72%	-	3,122	9,561	32,313	44,996	44,996
<b>Total financial liabilities</b>		<b>514</b>	<b>5,107</b>	<b>10,062</b>	<b>32,313</b>	<b>47,996</b>	<b>47,996</b>

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Material budget variations

Council's original budget was adopted by Council on 29 June 2017 and is not required to be audited. The original projections on which the budget was based can be affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, the weather, and decisions made by council. Material variations of more than 10% are explained below.

##### Revenues

###### 1. Other Revenues

Council's revaluation of Operational Land & Buildings uncovered \$606,000 in assets not previously recorded in Council's Asset Register (Found Assets). Also there were other Found Assets made up of a segment of road \$497,000, Water Assets of \$117,000 and Sewerage Assets of \$23,000.

###### 2. Operating grants and contributions

With regard to Operating Grants & Contributions, there were additional RMS regional road funding of \$260,000 as well as variation between capital & operating for other roads, bridges and traffic grants & contributions. There were also grants of \$364,000 for environmental purposes supplementing Council's Environmental Levy, \$135,000 for Libraries RFID Implementation, \$40,000 for Sport & Wellbeing Program.

###### 3. Capital grants and contributions

For Capital Grants & Contributions there were additional grants for Natural Disaster funding of \$600,000 and \$500,000 from the Cycling Infrastructure Fund. Also Council received just over \$1,500,000 in non-cash contributed assets; these were made up of \$480,000 Developer assets, gifted assets from Highway renewal of \$950,000, and \$100,000 from in-kind work on recreational assets.

###### 4. Net gains from the disposal of assets

Expected completion date and therefore availability of land for sale at Council's Hyland Park development has occurred later than anticipated and real estate profit forecast in the budget did not eventuate in the 2017/18 year. This revenue has been incorporated in the 2018/19 budget.

##### Expenses

###### 1. Other expenses

The primary reasons for the variation in Other Expenses was that a number of items were shown in Materials & Contracts with the Original Budget particularly amounts totaling almost \$500,000 for Waste Levies.

###### 2. Net losses from the disposal of assets

The loss on write off of Infrastructure Assets \$2,500,000 and write off of assets through the Operational Land & Building reevaluation outweighed the gains associated with the sale of Plant \$85,000 and Industrial Lot \$157,000.

## Nambucca Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 19. Fair value measurement

The Council measures the following assets and liabilities at fair value on a recurring basis.

- Infrastructure, property, plant and equipment
- Financial assets

#### **Fair value hierarchy**

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	Unobservable inputs for the asset or liability

(1) The table below shows the assigned level for each asset and liability held at fair value by the Council.

	No te	Level 2 (\$'000) Significant Observable Inputs		Level 3 (\$'000) Significant Observable Inputs		Total (\$'000)	
		2018	2017	2018	2017	2018	2017
<b>Recurring fair value measurements</b>							
<b>Infrastructure PP&amp;E</b>	9a						
Plant & Equip, Office Equipment & Furniture & Fittings				4938	4718	4938	4718
Operational Land		8251	0	0	6552	8251	6552
Community Land				17635	17635	17635	17635
Land Under Roads				3227	3046	3227	3046
Land Improvements – Depreciable				220	223	220	223
Buildings				28473	18476	28473	18476
Other Structures				5483	5830	5483	5830
Roads				87212	85157	87212	85157
Bridges				28736	28198	28736	28198
Footpaths				6745	6297	6745	6297
Bulk Earthworks				45004	44764	45004	44764
Stormwater Drainage				29671	29879	29671	29879
Water Supply Network				87482	86342	87482	86342
Sewer Supply Network				75360	74122	75360	74122
Swimming Pools				1044	1082	1044	1082
Other Open Space/ Recreational assets				3384	3412	3384	3412
Other Infrastructure				16649	16604	16649	16604
Heritage Collections				82	83	82	83
Other				274	278	274	278
Tip Remediation				100	119	100	119
<b>TOTAL</b>		<b>8251</b>	<b>0</b>	<b>441719</b>	<b>432817</b>	<b>449970</b>	<b>432817</b>

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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

During the year, there were no transfers between level 1 and level 2 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 (i.e. level 1 inputs), Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

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

##### **Plant & Equipment, Office Equipment and Furniture & Fittings**

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at depreciated 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.
- Furniture & Fittings      Chairs, desks and display boards.

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

##### **Operational Land**

Council's Operational Land was valued at Market Value (highest and best use) by APV Valuers in 2018 after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, access, exposure to traffic and business. Remaining Useful life, condition of asset, future cash flow from the use of the land is also considered when determining the fair value. As such these assets were all classified as having been valued using Level 2 valuation inputs.

##### **Community Land**

Community Land is based on either the Land Value provided by the Valuer General's unimproved capital value 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. As these rates were not considered to be observable market evidence they have been classified a Level 3. There has been no change to the valuation process during the reporting period. Community Land was valued in 2016.

##### **Buildings – Non Specialised and Specialised**

Buildings were valued by APV Valuers in 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the building into significant parts with different useful lives and taking into account a range of factors such as asset condition, pattern of consumption and estimated remaining useful lives. While all buildings were physically inspected, inputs such as pattern of consumption, long life, short life components, useful lives and asset condition required extensive professional judgement and are therefore unobservable. 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.

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

##### **Roads (including Bulk Earth Works), Bridges, Drainage and Footpaths**

Valuations for this asset class were undertaken in-house by Council's Engineering Department as at 30 June 2015.

The assets included in this valuation include road carriageway which has been separated to its component parts being pavement and where appropriate seal, car parks, footpaths, guardrails, kerb and gutter, retaining walls, culverts, bridges and drainage structures.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. The cost approach was utilised with inputs such as estimated pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value. Additionally and due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. Bulk earthworks are considered to have an indefinite useful life and not depreciated.

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

##### **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<sup>st</sup> July 2008 in accordance with AASB 1051. The class was valued in 2014 using an average unit rate based on the land value provided by the Valuer-General for adjoining properties. As these rates were not considered to be observable market evidence they have been classified as Level 3 inputs.

##### **Water Supply Network**

Assets in this class comprise reservoirs, pumping stations, water treatment works, water bores, rising mains and the reticulation network.

These were valued internally in 2017 using the written down replacement cost for each asset by component.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. Valuation took consideration of construction type and materials, age, condition, maintenance and break history. Valuation relies to a varying degree on professional judgement. This is because a substantial part of the network is underground. The available information is also limited by historical records of very long lived assets and there is some uncertainty regarding the actual design, specifications and dimensions of some assets.

These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Department of Industry except the years the class is the subject of a full revaluation.

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

##### **Sewer Supply Network**

Assets within this class comprise treatment works, pumping stations and sewerage mains.

These were valued internally in 2017 using the written down replacement cost for each asset by component. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. Valuation took consideration of construction type and materials, age, and maintenance and blockage history. Valuation relies to a varying degree on professional judgement. This is because a substantial part of the network is underground. The available information is also limited by historical records of

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

very long lived assets and there is some uncertainty regarding the actual design, specifications and dimensions of some assets.

These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Department of Industry except the years when the class is the subject of a full revaluation.

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

#### **Open Space/Recreational Assets/Other Structures/Other Infrastructure**

Assets within this class comprise soft fall surfaces, lighting, playground and sporting equipment plus auxiliary structures. All assets in this class were valued in-house by experienced engineering staff in 2016.

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.

Assets in these classes are subject to regular inspection and maintenance and as such the age of asset typically reflects the condition of the asset and written down replacement cost based on age is not materially different to fair value.

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

#### **Swimming Pool**

Assets in this class comprise the Council's Aquatic Centre located at Macksville. The swimming pool was valued in-house by experienced staff using the depreciated replacement cost approach in 2016. The approach estimated the replacement cost for each component. Other unobserved inputs (level 3 inputs) that were considered include pattern of consumption, residual value, asset condition and expected useful life. These inputs relied substantially on professional opinion.

These assets require regular extensive maintenance and the swimming pools are resurfaced periodically. These are highly visible assets and it is considered important to keep them in good repair. They have particular risks that can be partially mitigated through good maintenance. The maintenance program increases the probability of the asset achieving its designed life, but does not extend it. For this reason written down replacement cost based on age is not materially different to fair value.

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

#### **Heritage Collections**

Assets in this class were valued in-house, based on historic values and limited indirect observable inputs. Council holds these assets for their cultural value within the community. These assets do have a market among collectors and market evidence (Level 2 input) is available, however this information is often limited to similar items and often relate to assets that are not directly comparable. This asset class has therefore been categorised as level 3 unobserved inputs.

#### **Landfill Remediation**

This asset class represents the value of works to remediate the Nambucca Landfill under the terms of the facility's licence. The future service potential of the asset is to enable Nambucca Shire to comply with the lifecycle responsibilities of the land fill operation. There is no market for the asset and it is therefore classed as having a level 3 fair value with unobserved inputs, principally cost, legislative requirements, estimated timing

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

of expense, CPI and discount rules. The best and highest use for the asset is unique to Nambucca Shire Council as the Licence holder.

#### (4) Reconciliation of Movements

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

	Note	2018 \$'000	2017 \$'000
Balance at 1 July opening balance		432,817	428,411
<b>Total gains or losses for the year</b>			
Recognised in profit or loss – realised	5	293	299
Recognised in profit or loss - unrealised	3 & 4	1,245	3,934
Recognised in other comprehensive income- Revaluation Surplus		14,602	633
<b>Other movements</b>			
Purchases	9a	11,538	9,089
Purchases – Work in Progress Transfer	9a	2,280	1,508
Sales	9a	(3,195)	(1,588)
Depreciation	9a	(9,748)	(9,620)
Impairment	9a	138	226
Transfers out of Level 3 to Level 2	9a	(8,251)	(75)
<b>Balance as at 30 June closing balance</b>		<b>441,719</b>	<b>432,817</b>

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

CLASS	FAIR VALUE	VALUATION TECHNIQUE/S	UNOBSERVABLE INPUTS
P&E, Office Equipment & F&F	4,938	Cost approach	Current replacement cost of modern equivalent asset, Useful life, and residual value
Community Land	17,635	Land Values obtained from NSW Valuer General	Unit rate for Land Value
Land Under Roads	3,227	Adjoining blocks averaged m2 rate	Unit rate for Land Value
Land Improvements – Depreciable	220	Cost approach	Current replacement cost of modern equivalent asset. Asset condition, Remaining lives
Buildings – Specialised & Non Specialised	28,473	Cost Approach	Unit Rate, Asset Condition, Useful Life
Other Structures	5,483	Council and contractor construction rates	Unit Rate, Asset Condition, Useful Life
Roads	87,212	Council and contractor construction rates	Unit Rate, Asset Condition, Useful Life
Bridges	28,736	Council and contractor construction rates	Unit Rate, Asset Condition, Useful Life
Footpaths	6,745	Council and contractor construction rates	Unit Rate, Asset Condition, Useful Life
Bulk Earthworks	45,004	Council and contractor construction rates	Unit Rate, Asset Condition, Useful Life
Stormwater Drainage	29,671	Council and contractor construction rates	Unit Rate, Asset Condition, Useful Life
Water Supply Network	87,482	Industry Cost Indexes, Council and contractor construction rates	Unit Rate, Asset Condition, Useful Life
Sewer Supply Network	75,360	Industry Cost Indexes, Council and contractor construction rates	Unit Rate, Asset Condition, Useful Life
Swimming Pools	1,044	Industry Cost Indexes, Council and contractor construction rates	Unit Rate, Asset Condition, Useful Life
Other Open Space/Recreational Assets	3,384	Cost Approach	Unit Rate, Asset Condition, Useful Life
Other Infrastructure	16,649	Council and contractor construction rates	Unit Rate, Asset Condition, Useful Life
Heritage Collections	82	Cost Approach used to approximate fair value	Current replacement cost of modern equivalent asset, asset condition, pattern of consumption effecting the remaining useful life
Other	274	Cost Approach	Current replacement cost of modern equivalent asset, asset condition, pattern of consumption effecting the remaining useful life
Tip Remediation	100	Cost Approach	Discount Rate, Regulation Charge, Unit Cost assumptions, CPI

## Nambucca Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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##### (5) Transfers between levels of the hierarchy

The following assets/liabilities that are measured at fair value on a recurring basis have been subject to a transfer between levels of the hierarchy.

Transfers from Level 3 to Level 2

<b>Asset</b>	<b>\$</b>
Operational Land	8,251

During 2017/2018 Operational Land was valued by a third party professional valuer (APV) and their valuation report states Operational Land as Level 2 Input, hence Council considered Operational Land as Level 2 Fair Value Measurement Hierarchy.

##### (6) Highest and best use

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

## Nambucca Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Related party transactions

\$ '000

##### 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:

<b>Compensation:</b>	<b>2018</b>	<b>2017</b>
Short-term benefits	647	656
Post-employment benefits	69	61
Termination benefits	9	–
<b>Total</b>	<b>725</b>	<b>717</b>

##### 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.

<b>Nature of the transaction</b>		<b>Value of transactions during year</b>	<b>Outstanding balance</b>	<b>Terms and conditions</b>	<b>Provisions for doubtful debts outstanding</b>	<b>Doubtful debts expense recognised</b>
	<b>Ref</b>	<b>Actual \$</b>	<b>Actual \$</b> (incl. loans and commitments)		<b>Actual \$</b>	<b>Actual \$</b>
<b>2018</b>						
Employee expenses relating to close family members of KMP	1	23,878	Payroll costs	Council Staff Award	-	-

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Related party transactions (continued)

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
<b>2017</b>						
Employee expenses relating to close family members of KMP.	1	105,730	Payroll Accrual final working week of the year	Council Staff Award	—	—

- 1 A close family member of Council's KMP is employed by Council under the relevant pay award on an arms length basis. There is one close family member of a KMP currently employed by Council.

## c. Other related party transactions

Council has no other related party transactions

# Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 21. Events occurring after the reporting date

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

#### **1. Hand-over of existing Pacific Highway**

Council is yet to finalise negotiations with the RMS in relation to the assets on the 30km of existing Pacific Highway to be handed to Council as a regional road. Whilst most aspects of an agreement have been resolved, there are continuing discussions involving Bellingen Shire Council, Nambucca Shire Council and the Office of Local Government in relation to the impacts of the handover on the "Fit for the Future" financial criteria. Council is also finalising the valuations of a number of local service roads which have been constructed in association with the highway upgrade.

Because of the impacts of the handover on Council's budget and financial statements, it is proposed that the handover be brought to account in a quarterly budget review once agreement has been reached and the Council has all the necessary valuation information to incorporate the new assets into its assets schedule.

#### **2. NSW Government "Restart NSW" Grant Programs**

As a consequence of a healthy financial position, the NSW Government has a number of new and significant grant programs underway to support local (council owned) infrastructure. These include the "Safe and Secure Water Fund"; the "Growing Local Economies Fund"; the Stronger Country Communities Fund; the "Regional Sports Infrastructure Fund" and the "Regional Cultural Fund". The Council has made a number of applications for funding under these programs which will require co-contributions from Council's working funds and result in the creation of new assets. At the time of preparing this note most of Council's grant applications under these programs had not been determined and brought to account.

#### **3. Joint Organisations**

The NSW Government has announced that Councils can volunteer to join Joint Organisations. The Council has resolved that it wished to be part of a Joint Organisation which contains its regional centre and community of interest being Coffs Harbour. So far Coffs Harbour City Council has not agreed to join the established Mid North Coast Joint Organisation. If Council joins a joint organisation it will be partly responsible for the capital and operating costs of that organisation.

#### **4. Draft Potable Water Treatment Standard Promulgated by NSW Health**

The NSW Department of Health has proposed drinking water treatment standards which would require Council to install a water treatment plant at a potential cost of millions of dollars.

#### **5. Flow Rules for Bowra Dam**

The Council is undertaking a review of environmental factors to seek a review of the dam's flow rules which would allow the capture of more runoff from the dam catchment. The change which will be sought to the flow rules will reduce Council's pumping costs.

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	495	50	–	11	(109)	–	447	–
Surf club equipment	18	4	–	–	–	–	22	–
Section 7.11 planner	(77)	12	–	–	–	–	(65)	–
<b>S7.11 contributions – under a plan</b>	<b>436</b>	<b>66</b>	<b>–</b>	<b>11</b>	<b>(109)</b>	<b>–</b>	<b>404</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>635</b>	<b>221</b>	<b>–</b>	<b>17</b>	<b>(154)</b>	<b>–</b>	<b>719</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>1,071</b>	<b>287</b>	<b>–</b>	<b>28</b>	<b>(263)</b>	<b>–</b>	<b>1,123</b>	<b>–</b>
S64 contributions	5,913	844	–	141	(905)	–	5,993	–
<b>Total contributions</b>	<b>6,984</b>	<b>1,131</b>	<b>–</b>	<b>169</b>	<b>(1,168)</b>	<b>–</b>	<b>7,116</b>	<b>–</b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN – Public Recreation

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	495	50		11	(109)		447	
<b>Total</b>	<b>495</b>	<b>50</b>	<b>-</b>	<b>11</b>	<b>(109)</b>	<b>-</b>	<b>447</b>	<b>-</b>

## CONTRIBUTION PLAN – Surf Club Equipment

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Surf club equipment	18	4					22	
<b>Total</b>	<b>18</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>-</b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN NUMBER Section 7.11

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Section 7.11 planner	(77)	12	–	–	–	–	(65)	
<b>Total</b>	<b>(77)</b>	<b>12</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(65)</b>	<b>–</b>

## S7.12 LEVIES – UNDER A PLAN

## CONTRIBUTION PLAN – STREETSCAPE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Streetscape	635	221	–	17	(154)	–	719	
<b>Total</b>	<b>635</b>	<b>221</b>	<b>–</b>	<b>17</b>	<b>(154)</b>	<b>–</b>	<b>719</b>	<b>–</b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
<b>Continuing operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	974	3,664	14,851
User charges and fees	3,839	798	2,100
Interest and investment revenue	411	183	704
Other revenues	422	364	1,063
Grants and contributions provided for operating purposes	81	74	7,183
Grants and contributions provided for capital purposes	1,013	870	3,368
<b>Total income from continuing operations</b>	<b>6,740</b>	<b>5,953</b>	<b>29,397</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	1,415	1,569	6,466
Borrowing costs	1,489	187	1,104
Materials and contracts	981	1,602	6,225
Depreciation and amortisation	1,675	1,768	6,205
Other expenses	–	–	3,133
Net losses from the disposal of assets	146	153	2,313
<b>Total expenses from continuing operations</b>	<b>5,706</b>	<b>5,279</b>	<b>25,446</b>
<b>Operating result from continuing operations</b>	<b>1,034</b>	<b>674</b>	<b>3,951</b>
<b>Net operating result for the year</b>	<b>1,034</b>	<b>674</b>	<b>3,951</b>
<b>Net operating result attributable to each council fund</b>	<b>1,034</b>	<b>674</b>	<b>3,951</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>21</b>	<b>(196)</b>	<b>583</b>

<sup>1</sup> General fund refers to all Council's activities other than Water and Sewer.

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

## Nambucca Shire Council

## Notes to the Financial Statements

as at 30 June 2018

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

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	4,177	2,267	555
Investments	5,011	2,719	12,758
Receivables	1,243	451	2,729
Inventories	33	–	1,484
Other	–	–	117
<b>Total current assets</b>	<b>10,464</b>	<b>5,437</b>	<b>17,643</b>
<b>Non-current assets</b>			
Investments	9,536	2,046	1,894
Receivables	–	305	57
Inventories	–	–	1,588
Infrastructure, property, plant and equipment	93,779	81,210	277,436
Intangible assets	279	–	–
<b>Total non-current assets</b>	<b>103,594</b>	<b>83,561</b>	<b>280,975</b>
<b>TOTAL ASSETS</b>	<b>114,058</b>	<b>88,998</b>	<b>298,618</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	116	46	2,971
Income received in advance	–	–	415
Borrowings	400	1,404	1,368
Provisions	–	–	3,327
<b>Total current liabilities</b>	<b>516</b>	<b>1,450</b>	<b>8,081</b>
<b>Non-current liabilities</b>			
Payables	–	–	397
Borrowings	22,521	3,666	15,203
Provisions	–	–	399
<b>Total non-current liabilities</b>	<b>22,521</b>	<b>3,666</b>	<b>15,999</b>
<b>TOTAL LIABILITIES</b>	<b>23,037</b>	<b>5,116</b>	<b>24,080</b>
<b>Net assets</b>	<b>91,021</b>	<b>83,882</b>	<b>274,538</b>
<b>EQUITY</b>			
Accumulated surplus	63,157	57,401	196,767
Revaluation reserves	27,864	26,481	77,771
Council equity interest	91,021	83,882	274,538
<b>Total equity</b>	<b>91,021</b>	<b>83,882</b>	<b>274,538</b>

<sup>1</sup> General Fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

## Nambucca Shire Council

Notes to the Financial Statements  
as at 30 June 2018

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

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 \$ '000
 

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Details of individual internal loans for the year ended 30 June 2018  
(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Council ID / Ref	Council ID / Ref	Internal loan 1
Borrower (by purpose)			Bridges
Lender (by purpose)			Sewer
Date of minister's approval			30/06/2006
Date raised			30/06/2006
Term (years)			20
Dates of maturity			30/06/2026
Rate of interest			6.50%
Amount originally raised			615
Total repaid during year (principal and interest)			56
<b>Principal outstanding at end of year</b>			<b>340</b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>2,520</u>	<b>6.93%</b>	17.76%	3.25%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>36,339</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>29,001</u>	<b>69.73%</b>	68.15%	69.83%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>41,590</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>12,139</u>	<b>2.06x</b>	2.51x	2.38x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>5,902</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>14,948</u>	<b>2.53x</b>	3.37x	2.29x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>5,902</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>1,048</u>	<b>5.07%</b>	5.11%	5.68%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>20,684</u>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>29,674</u>	<b>11.96 mths</b>	10.9 mths	8.8 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>2,482</u>				

## Notes

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

(2) Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

(3) Refer to Notes 11 and 12.

(4) Refer to Note 11(b) and 12(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Local government industry indicators – by fund</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>9.42%</b>	11.41%	<b>3.06%</b>	18.05%	<b>-1.14%</b>	38.99%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>63.49%</b>	56.83%	<b>83.77%</b>	87.50%	<b>84.14%</b>	90.01%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions <sup>(2)</sup>	<b>1.77x</b>	2.20x	<b>2.41x</b>	2.44x	<b>0.31x</b>	0.28x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>							

## Notes

(1) - (4) Refer to Notes at Note 24a above.

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

## Nambucca Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
<b>4. Debt service cover ratio</b>							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation							
	<b>4.84x</b>	5.36x	<b>1.55x</b>	2.18x	<b>1.01x</b>	2.58x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding							
	<b>5.04%</b>	4.98%	<b>5.10%</b>	5.69%	<b>5.16%</b>	5.55%	< 10% regional & rural
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits							
	<b>13.47</b>	11.82	<b>11.84</b>	12.36	<b>5.59</b>	5.74	> 3 months
	<b>months</b>	months	<b>months</b>	months	<b>months</b>	months	
Payments from cash flow of operating and financing activities							

## Notes

(1) Refer to Notes at Note 24a above.

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

END OF AUDITED FINANCIAL STATEMENTS

## Nambucca Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 25. Council information and contact details

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**Principal place of business:**

44 Princess Street  
MACKSVILLE NSW 2447

**Contact details**

**Mailing address:**

PO Box 177  
MACKSVILLE NSW 2447

**Opening hours:**

Monday to Friday - 8.30am to 4.00pm

**Telephone:** 02 6568 2555

**Facsimile:** 02 6568 2201

**Internet:** [www.nambucca.nsw.gov.au](http://www.nambucca.nsw.gov.au)

**Email:** [council@nambucca.nsw.gov.au](mailto:council@nambucca.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Michael Coulter

**RESPONSIBLE ACCOUNTING OFFICER**

Craig Doolan

**AUDITORS**

Audit Office of New South Wales  
Level 15, 1 Margaret Street  
SYDNEY NSW 2000  
- Forsyths Chartered Accountants  
92 Rusden Street  
ARMIDALE NSW 2350

**Elected members**

**MAYOR**

Rhonda Hoban

**COUNCILLORS**

John Ainsworth  
Martin Ballangarry  
Brian Finlayson  
Susan Jenvey  
David Jones  
Janine Reed  
Anne Smyth  
John Wilson

**Other information**

**ABN:** 71 323 535 981



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial report**  
**Nambucca Shire Council**

To the Councillors of Nambucca Shire Council

## Opinion

I have audited the accompanying financial report of Nambucca Shire Council (the Council), which comprises the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, 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 report:
  - has been presented, in all material respects, in accordance with the requirements of this Division
  - is consistent with the Council's accounting records
  - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, 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 report 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 Report' 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**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report 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 comprises the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Report**

The Councillors are responsible for the preparation and fair presentation of the financial report 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, 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 Report**

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a small horizontal line under the 'u'.

James Sugumar  
Director, Financial Audit Services

17 October 2018  
SYDNEY

Cr Rhonda Hoban  
Mayor  
Nambucca Shire Council  
PO Box 177  
MACKSVILLE NSW 2447

Contact: James Sugumar  
Phone no: 02 9275 7288  
Our ref: D1824666/1766

17 October 2018

Dear Mayor Hoban

**Report on the Conduct of the Audit**  
**Nambucca Shire Council**  
**Audit for the year ended 30 June 2018**

I issued an unmodified audit opinion in my Independent Auditor's Report for the general purpose financial statements of Nambucca Shire Council (the Council) for the year ended 30 June 2018.

The audit was required by section 415 of the *Local Government Act 1993* (the Act).

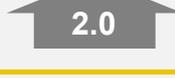
This Report on the Conduct of the Audit is issued in accordance with section 417 of the Act and should be read in conjunction with my audit opinion issued under section 417(2) of the Act.

**SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

I did not identify any significant audit issues or observations during my audit of the Council's general purpose financial statements.

## FINANCIAL RESULTS

### INCOME STATEMENT

	2018 \$m	2017 \$m	Variation \$m	Variation %
<b>Rates and annual charges revenue</b>	19.5	19.2	+0.3	 1.6
<b>Grants and contributions revenue</b>	12.6	14.8	-2.2	 14.9
<b>TOTAL REVENUE</b>	42.1	47.1	-5.0	 10.6
<b>TOTAL EXPENSES</b>	36.4	35.7	+0.7	 2.0
<b>Operating result for the year</b>	5.7	11.4	-5.7	 50.0

The increase in rates and annual charges revenue was mainly due to a 1.5 per cent rate rise.

Grants and contributions decreased by \$2.2 million primarily due to overall reduction in financial assistance grants received during the year.

Total revenue for the year was lower mainly due to a \$2.7 million decrease in unrecorded assets found and recognised as revenue.

Council's total expenses increased by \$735,000 mainly due to larger losses from disposal of assets.

A marginal increase in expenses together with \$5.0 million drop in revenues contributed to a lower operating result for the year.

## BALANCE SHEET

	2018 \$m	2017 \$m	Variation \$m	Variation %
<b>Current assets</b>	33.5	35.4	-1.9	↓ 5.4
<b>Non-current assets</b>	467.8	446.2	+21.6	↑ 4.8
<b>TOTAL ASSETS</b>	501.4	481.6	+19.8	↑ 4.1
<b>TOTAL LIABILITIES</b>	51.9	52.5	-0.5	↓ 1.0
<b>NET ASSETS</b>	449.4	429.2	+20.2	↑ 4.7

Current assets decreased by \$1.9 million mainly due to reclassification of certain items of current assets as non-current.

Non-current assets increased by \$21.6 million primarily due to:

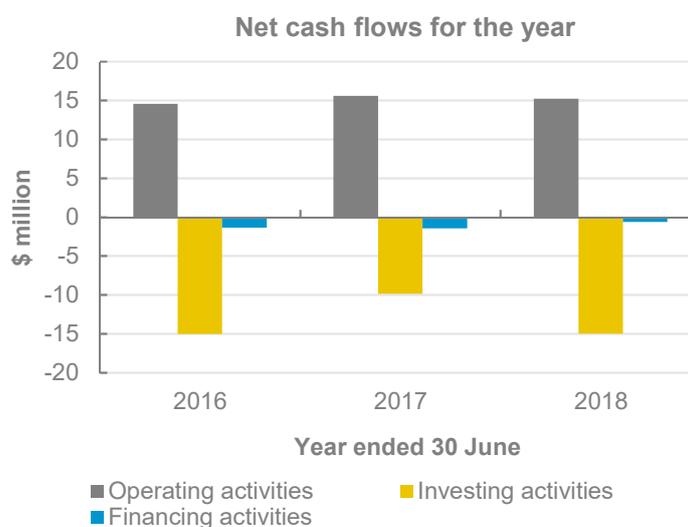
- Upward movement of \$14.6 million from reassessment of fair values of land, buildings, and water and sewer network assets
- purchase of \$3.0 million long term investments.

Total liabilities remained relatively stable from previous year.

The change in net assets reflects the movement in the total assets.

## CASH FLOWS

- Cash flows from operating activities have been positive and remained stable in the last three years.
- Acquisition of assets resulted in net negative cash flows from investing activities.
- Council recorded a negative cash flow from financing activities mainly due to repayment of borrowings.



## CASH POSITION

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
Externally restricted	32.6	30.5	Externally restricted cash increased from receipt of water supply funds.
Internally restricted	3.7	3.5	
Unrestricted	4.7	4.1	Overall cash and investments increased by \$2.9 million from positive operating result.
<b>Cash and investments</b>	<b>41.0</b>	<b>38.1</b>	

## COUNCIL'S PERFORMANCE RATIOS FOR 30 JUNE 2018

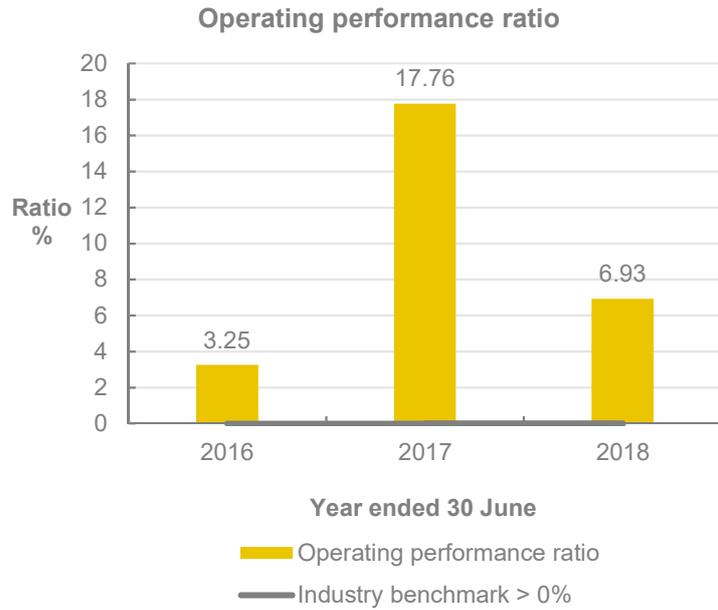
I provide a summary of outcomes and analysis of the Council's key performance ratios for the year ended 30 June 2018 below:

Performance ratio	Outcome	Reference
Operating performance ratio	Achieved	<u>1</u>
Own source operating revenue ratio	Achieved	<u>2</u>
Unrestricted current ratio	Achieved	<u>3</u>
Debt service cover ratio	Achieved	<u>4</u>
Rates and annual charges cover ratio	Achieved	<u>5</u>
Cash expense cover ratio	Achieved	<u>6</u>
Building and infrastructure renewals ratio	Not Achieved	<u>7</u>

The ratios and the definitions (except for the 'building and infrastructure renewals ratio') are reported in Note 24(a) of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

## 1. Operating performance ratio (operating margin to operating revenue)

- Council met the benchmark in the past three years.
- The ratio for 30 June 2018 decreased due to lower total revenue.

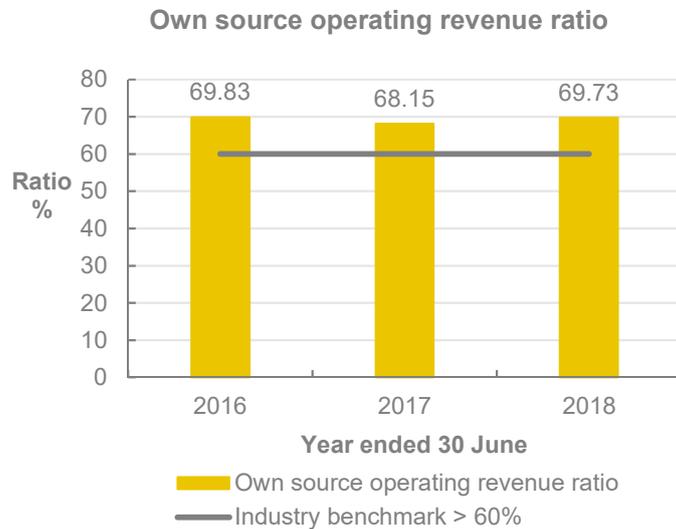


The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements).

The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

## 2. Own source operating revenue ratio (own funding to total funding)

- Council met the benchmark for the past three years.

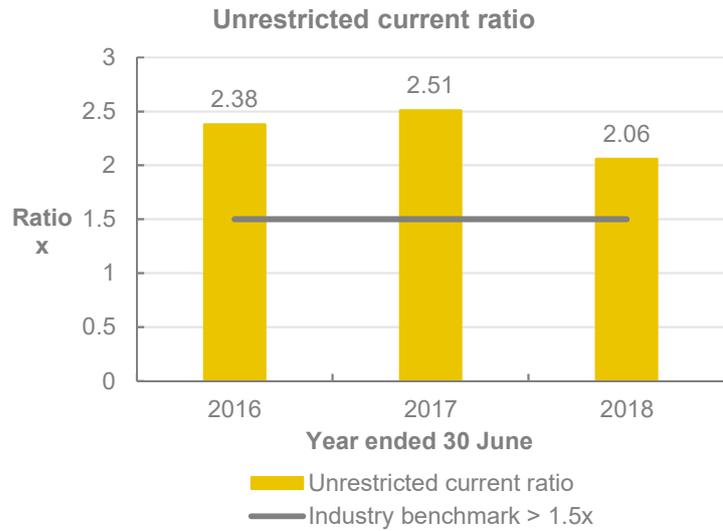


The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions.

The benchmark set by OLG is greater than 60 per cent.

### 3. Unrestricted current ratio (unrestricted cash to liabilities)

- Council continued to meet the benchmark for the past three years.
- Council will be able to meet its short-term obligations as and when they fall due.

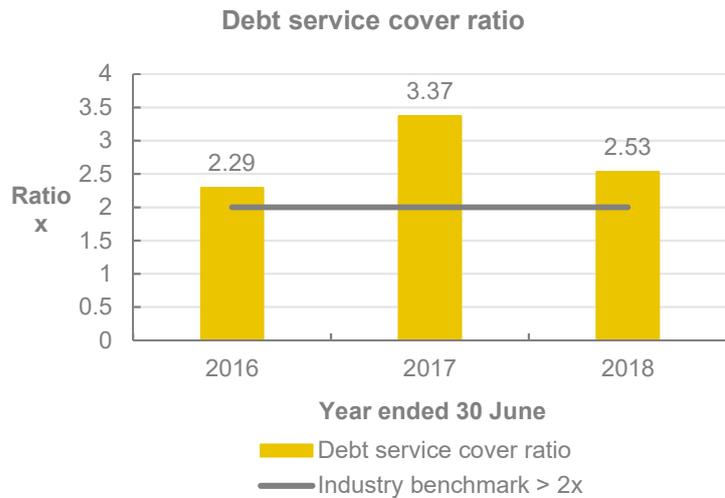


The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due.

The benchmark set by OLG is greater than 1.5 times.

### 4. Debt service cover ratio (operating cash to loan obligations)

- Council achieved the benchmark for the past three years.
- The ratio decreased in 2018 mainly due to the lower operating result for the year and greater borrowing repayments.

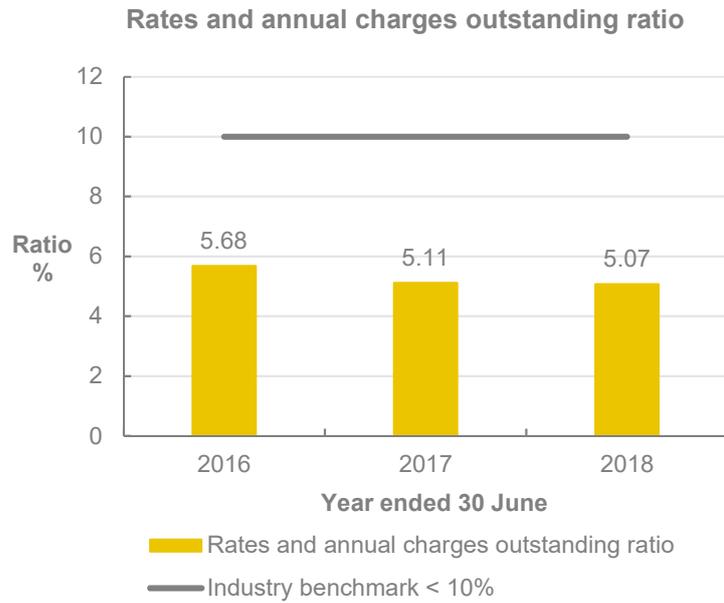


The 'debt service cover ratio' measures the operating result to service debt including interest, principal and lease payments.

The benchmark set by OLG is greater than two times.

## 5. Rates and annual charges outstanding ratio (uncollected rates to total rates)

- Council achieved the benchmark for the past three years.
- The collection procedures of the Council operated effectively to collect more than 94 per cent of the rates and annual charges revenue within the receivable dates.

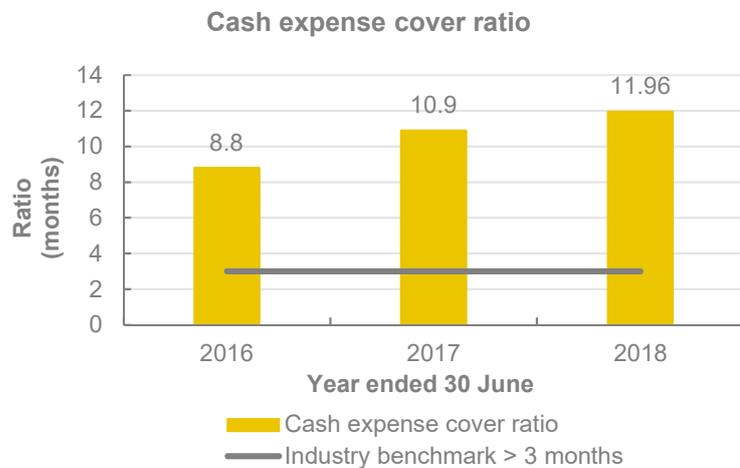


The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts.

The benchmark set by OLG is less than 10 per cent for regional and rural councils.

## 6. Cash expense cover ratio (cash balance to monthly outgoings)

- Council exceeded the benchmark of 3 months by a good margin for the past three years.
- It will be able to meet its immediate expenses for more than eleven months without additional cash inflows.

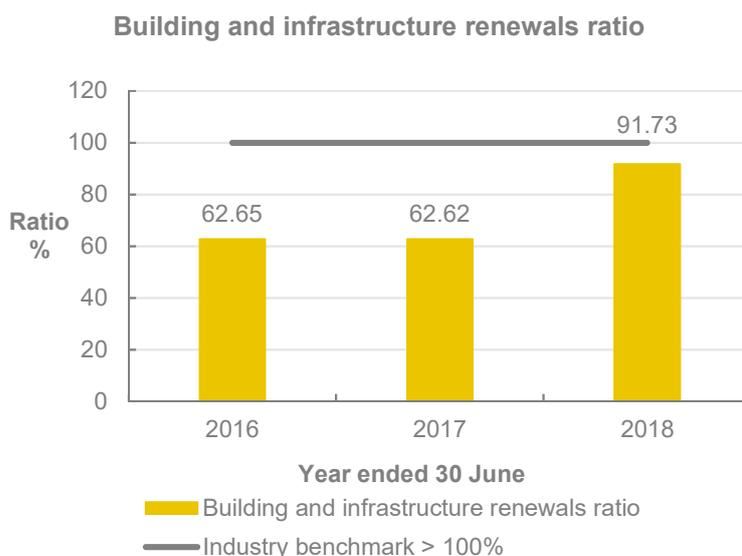


The cash expense cover ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow.

The benchmark set by OLG is greater than three months.

## 7. Building and infrastructure renewals ratio (unaudited)

- Council did not meet the benchmark for this ratio in the past three years.
- The ratio has improved to 91.73 in 2018 due to increased asset renewals.



The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating.

The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from Council's Special Schedule 7 which has not been audited.

## OTHER MATTERS

### 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 reports.

The Council's:

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

James Sugumar  
Director, Financial Audit Services

cc: Mr Michael Coulter, General Manager  
Mr Peter Lawry, Chair of Audit and Risk Committee  
Mr Robert Hunt, Assistant General Manager Corporate Services  
Mr Tim Hurst, Chief Executive of the Office of Local Government

# Nambucca Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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**“Nambucca Valley ~ Living at its best”**



# Nambucca Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2018

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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## Nambucca Shire Council

### Special Purpose Financial Statements for the year ended 30 June 2018

#### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 11 October 2018.**



Rhonda Hoban  
Mayor



John Ainsworth  
Councillor



Michael Coulter  
General manager



Craig Doolan  
Responsible accounting officer

## Nambucca Shire Council

## Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	974	978
User charges	3,839	3,842
Interest	411	604
Grants and contributions provided for non-capital purposes	81	86
Other income	422	1,108
<b>Total income from continuing operations</b>	<b>5,727</b>	<b>6,618</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,415	1,269
Borrowing costs	1,489	1,512
Materials and contracts	981	942
Depreciation, amortisation and impairment	1,675	1,702
Loss on sale of assets	146	173
Calculated taxation equivalents	15	18
Debt guarantee fee (if applicable)	458	349
<b>Total expenses from continuing operations</b>	<b>6,179</b>	<b>5,965</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(452)</b>	<b>653</b>
Grants and contributions provided for capital purposes	1,013	846
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>561</b>	<b>1,499</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>561</b>	<b>1,499</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(196)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>561</b>	<b>1,303</b>
<b>Plus opening retained profits</b>	62,138	60,290
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	15	18
– Debt guarantee fees	458	349
– Corporate taxation equivalent	–	196
<b>Less:</b>		
– Tax equivalent dividend paid	(15)	(18)
<b>Closing retained profits</b>	<b>63,157</b>	<b>62,138</b>
<b>Return on capital %</b>	<b>1.1%</b>	<b>2.4%</b>
<b>Subsidy from Council</b>	<b>1,429</b>	<b>27</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	561	1,303
Less: capital grants and contributions (excluding developer contributions)	(711)	(87)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>1,216</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>608</b>

## Nambucca Shire Council

Income Statement of Council's Sewerage Business Activity  
for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	3,664	3,569
User charges	770	767
Liquid trade waste charges	28	24
Interest	183	287
Grants and contributions provided for non-capital purposes	74	74
Other income	364	3,358
<b>Total income from continuing operations</b>	<b>5,083</b>	<b>8,079</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,569	1,414
Borrowing costs	187	209
Materials and contracts	1,602	1,548
Depreciation, amortisation and impairment	1,768	1,737
Loss on sale of assets	153	430
Calculated taxation equivalents	21	22
Debt guarantee fee (if applicable)	105	102
<b>Total expenses from continuing operations</b>	<b>5,405</b>	<b>5,462</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(322)</b>	<b>2,617</b>
Grants and contributions provided for capital purposes	870	814
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>548</b>	<b>3,431</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>548</b>	<b>3,431</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(785)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>548</b>	<b>2,646</b>
<b>Plus opening retained profits</b>	56,748	53,215
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	21	22
– Debt guarantee fees	105	102
– Corporate taxation equivalent	–	785
<b>Less:</b>		
– Tax equivalent dividend paid	(21)	(22)
<b>Closing retained profits</b>	<b>57,401</b>	<b>56,748</b>
<b>Return on capital %</b>	<b>-0.2%</b>	<b>3.5%</b>
<b>Subsidy from Council</b>	<b>2,271</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	548	2,646
Less: capital grants and contributions (excluding developer contributions)	(328)	(286)
<b>Surplus for dividend calculation purposes</b>	<b>220</b>	<b>2,360</b>
<b>Potential dividend calculated from surplus</b>	<b>110</b>	<b>1,180</b>

## Nambucca Shire Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 30 June 2018

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,177	4,218
Investments	5,011	6,284
Receivables	1,243	1,202
Inventories	33	36
<b>Total current assets</b>	<b>10,464</b>	<b>11,740</b>
<b>Non-current assets</b>		
Investments	9,536	7,017
Infrastructure, property, plant and equipment	93,779	92,092
Intangible assets	279	279
<b>Total non-current assets</b>	<b>103,594</b>	<b>99,388</b>
<b>TOTAL ASSETS</b>	<b>114,058</b>	<b>111,128</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	116	117
Borrowings	400	375
<b>Total current liabilities</b>	<b>516</b>	<b>492</b>
<b>Non-current liabilities</b>		
Borrowings	22,521	22,922
<b>Total non-current liabilities</b>	<b>22,521</b>	<b>22,922</b>
<b>TOTAL LIABILITIES</b>	<b>23,037</b>	<b>23,414</b>
<b>NET ASSETS</b>	<b>91,021</b>	<b>87,714</b>
<b>EQUITY</b>		
Accumulated surplus	63,157	62,138
Revaluation reserves	27,864	25,576
<b>TOTAL EQUITY</b>	<b>91,021</b>	<b>87,714</b>

## Nambucca Shire Council

## Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2018

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,267	2,279
Investments	2,719	3,395
Receivables	451	455
<b>Total current Assets</b>	<b>5,437</b>	<b>6,129</b>
<b>Non-current assets</b>		
Investments	2,046	1,546
Receivables	305	340
Infrastructure, property, plant and equipment	81,210	79,753
<b>Total non-current assets</b>	<b>83,561</b>	<b>81,639</b>
<b>TOTAL ASSETS</b>	<b>88,998</b>	<b>87,768</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	46	48
Borrowings	1,404	1,578
<b>Total current liabilities</b>	<b>1,450</b>	<b>1,626</b>
<b>Non-current liabilities</b>		
Borrowings	3,666	4,882
<b>Total non-current liabilities</b>	<b>3,666</b>	<b>4,882</b>
<b>TOTAL LIABILITIES</b>	<b>5,116</b>	<b>6,508</b>
<b>NET ASSETS</b>	<b>83,882</b>	<b>81,260</b>
<b>EQUITY</b>		
Accumulated surplus	57,401	56,748
Revaluation reserves	26,481	24,512
<b>TOTAL EQUITY</b>	<b>83,882</b>	<b>81,260</b>

# Nambucca Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2018

### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	12
3	Sewerage Business Best-Practice Management disclosure requirements	14

## Nambucca Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

#### Note 1. Significant accounting policies

---

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

##### a Water Supplies

Comprising the whole of the operations and assets of the water supply function.

## Nambucca Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

---

##### **b Sewerage Service**

Comprising the whole of the operations and assets of the sewerage reticulation and treatment service.

##### **Category 2**

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

NIL

##### **Monetary amounts**

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

As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

##### *(i) Taxation-equivalent charges*

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

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

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

##### **Notional rate applied (%)**

###### Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

In accordance with Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

## Nambucca Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

---

##### Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/ (loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

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

##### Local government rates and charges

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

##### Loan and debt guarantee fees

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

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

##### *(ii) Subsidies*

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

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

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

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

##### *(iii) Return on investments (rate of return)*

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

## Nambucca Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

---

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

#### *(iv) Dividends*

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

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

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

**END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS**

## Nambucca Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 2. Water supply business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

##### 1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	473,000
(ii)	Number of assessments multiplied by \$3/assessment	20,427
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	20,427
(iv)	Amounts actually paid for tax equivalents	15,360

##### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	183,843
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	793,100

2018 Surplus	(150,000)	2017 Surplus	1,216,100	2016 Surplus	(93,000)
		2017 Dividend	–	2016 Dividend	180,000

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	–
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

##### 3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

## Nambucca Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 2. Water supply business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

#### National Water Initiative (NWI) financial performance indicators

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	6,335
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	75.46%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	93,779
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,396
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,097
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.40%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
  - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

## Nambucca Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 3. Sewerage business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

##### 1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	126,000
(ii)	Number of assessments multiplied by \$3/assessment	18,510
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	18,510
(iv)	Amounts actually paid for tax equivalents	20,672

##### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	110,000
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	166,590
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	2,814,900

2018 Surplus	220,000	2017 Surplus	2,359,900	2016 Surplus	235,000
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	110,000
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	Yes

##### 3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	Yes
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

## Nambucca Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

## National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	5,665
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	81,210
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	2,981
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,432
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.12%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	102

National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	11,701
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.32%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	2,529
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.81%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Nambucca Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	1.28%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		2
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	1,531
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	155

- Notes:
1. References to w (e.g.. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
  2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial report**  
**Nambucca Shire Council**

To the Councillors of Nambucca Shire Council

## **Opinion**

I have audited the accompanying special purpose financial report (the financial report) of Nambucca Shire Council's (the Council) Declared Business Activities, which comprises the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

In my opinion, the financial report presents fairly, in all material respects, the financial positions of the Council's Declared Business Activities as at 30 June 2018, and their financial performances for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

## **Basis for Opinion**

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

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

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

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

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

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

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

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

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

### **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report 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 comprises the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Report**

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive, flowing style.

James Sugumar  
Director, Financial Audit Services

17 October 2018  
SYDNEY

# Nambucca Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2018

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**“Nambucca Valley ~ Living at its best”**



# Nambucca Shire Council

## Special Schedules

for the year ended 30 June 2018

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

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#### Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
  - the Australian Bureau of Statistics (ABS),
  - the NSW Office of Water (NOW), and
  - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
  - the incorporation of Local Government financial figures in national statistics,
  - the monitoring of loan approvals,
  - the allocation of borrowing rights, and
  - the monitoring of the financial activities of specific services.

## Nambucca Shire Council

Special Schedule 1 – Net Cost of Services  
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Administration</b>	<b>2,403</b>	<b>813</b>	<b>12</b>	<b>(1,578)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	965	245	253	(467)
Beach control	196	26	4	(166)
Animal control	161	49	–	(112)
<b>Total public order and safety</b>	<b>1,322</b>	<b>320</b>	<b>257</b>	<b>(745)</b>
<b>Health</b>	<b>273</b>	<b>200</b>	<b>–</b>	<b>(73)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	429	84	–	(345)
Other environmental protection	511	387	50	(74)
Solid waste management	5,174	5,933	–	759
Street cleaning	410	–	–	(410)
Drainage	–	144	–	144
<b>Total environment</b>	<b>6,524</b>	<b>6,548</b>	<b>50</b>	<b>74</b>
<b>Community services and education</b>				
Social protection (welfare)	190	100	–	(90)
Aged persons and disabled	3	19	–	16
Children's services	113	115	–	2
<b>Total community services and education</b>	<b>306</b>	<b>234</b>	<b>–</b>	<b>(72)</b>
<b>Housing and community amenities</b>				
Public cemeteries	129	103	–	(26)
Public conveniences	231	–	–	(231)
Street lighting	416	19	–	(397)
Town planning	744	260	–	(484)
<b>Total housing and community amenities</b>	<b>1,520</b>	<b>382</b>	<b>–</b>	<b>(1,138)</b>
<b>Water supplies</b>	<b>5,575</b>	<b>5,393</b>	<b>1,013</b>	<b>831</b>
<b>Sewerage services</b>	<b>5,039</b>	<b>4,777</b>	<b>963</b>	<b>701</b>

## Nambucca Shire Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	716	220	–	(496)
Museums	46	1	–	(45)
Community centres and halls	557	255	–	(302)
Other cultural services	114	–	–	(114)
Sporting grounds and venues	221	691	590	1,060
Swimming pools	524	–	–	(524)
Parks and gardens (lakes)	1,550	–	–	(1,550)
<b>Total recreation and culture</b>	<b>3,728</b>	<b>1,167</b>	<b>590</b>	<b>(1,971)</b>
<b>Mining, manufacturing and construction</b>				
Building control	381	170	–	(211)
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>381</b>	<b>170</b>	<b>–</b>	<b>(211)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	1,267	–	–	(1,267)
Urban roads – regional	499	436	200	137
Sealed rural roads (SRR) – local	2,004	739	396	(869)
Sealed rural roads (SRR) – regional	576	503	899	826
Unsealed rural roads (URR) – local	751	–	262	(489)
Unsealed rural roads (URR) – regional	900	–	–	(900)
Bridges on SRR – local	1,781	205	80	(1,496)
Parking areas	38	25	–	(13)
Footpaths	227	40	489	302
Other transport and communication	791	39	40	(712)
<b>Total transport and communication</b>	<b>8,834</b>	<b>1,987</b>	<b>2,366</b>	<b>(4,481)</b>
<b>Economic affairs</b>				
Other economic affairs	526	73	–	(453)
<b>Total economic affairs</b>	<b>526</b>	<b>73</b>	<b>–</b>	<b>(453)</b>
<b>Totals – functions</b>	<b>36,431</b>	<b>22,064</b>	<b>5,251</b>	<b>(9,116)</b>
<b>General purpose revenues</b> <sup>(1)</sup>		<b>14,775</b>		<b>14,775</b>
<b>NET OPERATING RESULT</b> <sup>(2)</sup>	<b>36,431</b>	<b>36,839</b>	<b>5,251</b>	<b>5,659</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose

(2) As reported in the Income Statement

grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

## Nambucca Shire Council

Special Schedule 2 – Permissible income for general rates  
for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	10,621	10,441
Plus or minus adjustments <sup>(2)</sup>	b	58	28
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>10,679</b>	<b>10,469</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	246	157
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>10,925</b>	<b>10,626</b>
Plus (or minus) last year's carry forward total	l	37	31
Less valuation objections claimed in the previous year	m	(2)	(1)
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>35</b>	<b>30</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>10,960</b>	<b>10,656</b>
Less notional general income yield	p	10,933	10,621
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>27</b>	<b>35</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	2
Less unused catch-up <sup>(5)</sup>	s	(24)	–
<b>Carry forward to next year</b>	<b>t = q + r – s</b>	<b>3</b>	<b>37</b>

**Notes**

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule 2 - Permissible Income for general rates

#### Nambucca Shire Council

To the Councillors of Nambucca Shire Council

### Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Nambucca Shire Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

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

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

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a small flourish at the end.

James Sugumar  
Director, Financial Audit Services

17 October 2018  
SYDNEY

## Nambucca Shire Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	501	484
b. Engineering and supervision	374	398
<b>2. Operation and maintenance expenses</b>		
<b>– dams and weirs</b>		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
<b>– Mains</b>		
c. Operation expenses	–	–
d. Maintenance expenses	449	444
<b>– Reservoirs</b>		
e. Operation expenses	–	–
f. Maintenance expenses	237	184
<b>– Pumping stations</b>		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	197	154
i. Maintenance expenses	66	67
<b>– Treatment</b>		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	–	–
l. Maintenance expenses	153	126
<b>– Other</b>		
m. Operation expenses	369	307
n. Maintenance expenses	50	48
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	1,622	1,660
b. Plant and equipment	53	43
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	1,489	1,512
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	15	18
<b>5. Total expenses</b>	<b>5,575</b>	<b>5,445</b>

## Nambucca Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	867	870
b. Usage charges	2,666	2,628
<b>7. Non-residential charges</b>		
a. Access (including rates)	110	110
b. Usage charges	1,170	1,212
<b>8. Extra charges</b>	7	6
<b>9. Interest income</b>	404	598
<b>10. Other income</b>	421	1,108
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	81	86
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	302	759
b. Developer provided assets	687	63
c. Other contributions	24	25
<b>13. Total income</b>	<b>6,739</b>	<b>7,465</b>
<b>14. Gain (or loss) on disposal of assets</b>	(146)	(173)
<b>15. Operating result</b>	<b>1,018</b>	<b>1,847</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	1,018	1,847

## Nambucca Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	220	108
c. Renewals	877	370
d. Plant and equipment	–	–
<b>17. Repayment of debt</b>	376	353
<b>18. Totals</b>	<u>1,473</u>	<u>831</u>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<u>–</u>	<u>–</u>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	5,720	5,677
b. Residential (unoccupied, i.e.. vacant lot)	454	480
c. Non-residential (occupied)	507	502
d. Non-residential (unoccupied, i.e.. vacant lot)	128	128
<b>23. Number of ETs for which developer charges were received</b>	51 ET	63 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 146,730	\$ 150,937

## Nambucca Shire Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	5,280	–	5,280
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,909	9,536	13,445
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	1,242	–	1,242
c. User charges	–	–	–
d. Other	–	–	–
<b>27. Inventories</b>	33	–	33
<b>28. Property, plant and equipment</b>			
a. System assets	–	93,314	93,314
b. Plant and equipment	–	465	465
<b>29. Other assets</b>	–	279	279
<b>30. Total assets</b>	<b>10,464</b>	<b>103,594</b>	<b>114,058</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	116	–	116
<b>33. Borrowings</b>	400	22,521	22,921
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<b>516</b>	<b>22,521</b>	<b>23,037</b>
<b>36. NET ASSETS COMMITTED</b>	<b>9,948</b>	<b>81,073</b>	<b>91,021</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			63,157
<b>38. Asset revaluation reserve</b>			27,864
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>91,021</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			134,101
<b>42. Accumulated current cost</b> depreciation of system assets			(40,322)
<b>43. Written down current cost</b> of system assets			<b>93,779</b>

## Nambucca Shire Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	750	724
b. Engineering and supervision	45	35
<b>2. Operation and maintenance expenses</b>		
<b>– mains</b>		
a. Operation expenses	–	–
b. Maintenance expenses	336	228
<b>– Pumping stations</b>		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	159	137
e. Maintenance expenses	374	360
<b>– Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	–	–
h. Energy costs	153	119
i. Effluent management	1	3
j. Biosolids management	44	53
k. Maintenance expenses	830	777
<b>– Other</b>		
l. Operation expenses	289	275
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	1,743	1,715
b. Plant and equipment	26	22
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	375	459
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	21	22
<b>5. Total expenses</b>	<b>5,146</b>	<b>4,929</b>

## Nambucca Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	3,214	3,151
<b>7. Non-residential charges</b>		
a. Access (including rates)	377	350
b. Usage charges	770	767
<b>8. Trade waste charges</b>		
a. Annual fees	28	24
b. Usage charges	73	68
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	–
<b>10. Interest income</b>	183	287
<b>11. Other income</b>	361	3,358
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	102	217
b. Grants for pensioner rebates	74	74
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	542	528
b. Developer provided assets	220	68
c. Other contributions	6	1
<b>14. Total income</b>	<b>5,950</b>	<b>8,893</b>
<b>15. Gain (or loss) on disposal of assets</b>	(153)	(430)
<b>16. Operating result</b>	<b>651</b>	<b>3,534</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	549	3,317

## Nambucca Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	382	186
c. Renewals	1,050	1,405
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	1,578	1,574
<b>19. Totals</b>	<b>3,010</b>	<b>3,165</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	5,237	5,537
b. Residential (unoccupied, i.e.. vacant lot)	325	333
c. Non-residential (occupied)	545	579
d. Non-residential (unoccupied, i.e.. vacant lot)	63	61
<b>24. Number of ETs for which developer charges were received</b>	64 ET	71 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 132,932	\$ 136,105

## Nambucca Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	713	–	713
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	4,273	2,046	6,319
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	417	–	417
c. User charges	–	–	–
d. Other	33	306	339
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	80,828	80,828
b. Plant and equipment	–	382	382
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<b>5,436</b>	<b>83,562</b>	<b>88,998</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	46	–	46
<b>34. Borrowings</b>	1,404	3,666	5,070
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<b>1,450</b>	<b>3,666</b>	<b>5,116</b>
<b>37. NET ASSETS COMMITTED</b>	<b>3,986</b>	<b>79,896</b>	<b>83,882</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			57,401
<b>39. Asset revaluation reserve</b>			26,481
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<b>83,882</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			119,254
<b>43. Accumulated current cost</b> depreciation of system assets			(38,044)
<b>44. Written down current cost</b> of system assets			<b>81,210</b>

# Nambucca Shire Council

## Notes to Special Schedules 3 and 5 for the year ended 30 June 2018

### Administration <sup>(1)</sup>

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

### Engineering and supervision <sup>(1)</sup>

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Other technical and supervision staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.

**Operational expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

**Other expenses** (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

**Revaluation decrements** (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

**Impairment losses** (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

**Aboriginal Communities Water and Sewerage Program** (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

**Other income** (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

### Notes:

<sup>(1)</sup> Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (i.e.. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

<sup>(2)</sup> To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

## Nambucca Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000												
Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Council Office/Admin Centre	418	–	24	24	2,148	3,566		7%	74%	19%	0%
	Council Works Depot	43	–	1	1	1,359	1,765	28%	54%	10%		8%
	Council Public Halls	186	–	47	47	7,134	11,119	1%	26%	56%	17%	0%
	Libraries	–	–	42	42	1,483	1,853	1%	86%	13%		0%
	Museum	11	–	3	3	510	690	1%	33%	50%	16%	0%
	Other – Buildings	10	–	3	3	2,518	2,941	43%	26%	27%	4%	0%
	Other – Bush Fire/SES Bldgs.	45	–	29	29	2,481	3,277	7%	38%	41%	14%	0%
	Other – Swimming Pool Bldgs.	1	–	1	1	2,267	2,697	0%	96%	4%		0%
	Other – Child Care Centres	–	–	3	3	703	857	1%	99%			0%
	Amenities/Toilets	22	–	8	8	2,237	2,877	32%	25%	35%	8%	0%
	Other -Sports Grounds	55	–	24	24	5,633	8,064	17%	17%	60%	6%	0%
<b>Sub-total</b>	<b>791</b>	<b>–</b>	<b>185</b>	<b>185</b>	<b>28,473</b>	<b>39,706</b>	<b>11.1%</b>	<b>33.9%</b>	<b>44.6%</b>	<b>10.0%</b>	<b>0.4%</b>	
<b>Other structures</b>	Other structures	115	–	–	–	5,483	13,046	13%	29%	53%	5%	0%
	<b>Sub-total</b>	<b>115</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,483</b>	<b>13,046</b>	<b>13.0%</b>	<b>29.0%</b>	<b>53.0%</b>	<b>5.0%</b>	<b>0.0%</b>
<b>Roads</b>	Roads – Sealed	90	–	684	684	8,387	13,814	16%	30%	51%	3%	0%
	Unsealed roads	–	–	679	679	4,012	7,940	36%	35%	29%		0%
	Roads – Pavement	581	–	50	50	63,065	97,072	11%	37%	49%	3%	0%
	Kerb & Gutter	–	–	71	71	10,447	17,878	7%	24%	69%		0%
	Footpaths	–	–	30	30	6,746	9,162	14%	65%	21%		0%
	Carparks	2	–	–	–	1,301	1,765	15%	80%	4%	1%	0%
	Bulk earthworks	–	–	–	–	45,004	45,004	100%				0%
	Bridges – Concrete	275	–	–	–	14,127	19,812	14%	74%	5%	7%	0%
	Bridges – Timber	411	–	123	123	2,281	5,894	34%	27%	39%		0%
	Bridges – Composite	27	–	–	–	12,328	15,914	17%	73%	8%	2%	0%
<b>Sub-total</b>	<b>1,386</b>	<b>–</b>	<b>1,637</b>	<b>1,637</b>	<b>167,698</b>	<b>234,255</b>	<b>30.3%</b>	<b>35.2%</b>	<b>32.4%</b>	<b>2.2%</b>	<b>0.0%</b>	

## Nambucca Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Reticulation	1,624	–	388	388	17,302	32,116	3%	33%	43%	20%	1%
	Trunk Mains	3,282	–	102	102	17,454	33,979	15%	20%	28%	35%	2%
	Mains/Meters	–	–	55	55	110	164			100%		0%
	Reservoirs	30	–	104	104	8,334	12,977	6%	50%	43%	1%	0%
	Water Treatment Plant	25	–	267	267	1,263	1,833	34%	23%	37%	6%	0%
	Bores	153	–	134	134	1,796	2,586	47%	20%	9%	24%	0%
	Dams	–	–	174	174	39,326	40,560	99%	1%			0%
	Pump stations	73	–	135	135	1,897	3,019	29%	35%	25%	11%	0%
<b>Sub-total</b>	<b>5,187</b>	<b>–</b>	<b>1,359</b>	<b>1,359</b>	<b>87,482</b>	<b>127,234</b>	<b>39.1%</b>	<b>20.7%</b>	<b>24.2%</b>	<b>15.3%</b>	<b>0.8%</b>	
Sewerage network	Sewerage rising (Pipelines)	166	–	9	9	6,720	9,794	9%	65%	19%	7%	0%
	Gravity/Rising Mains	1,922	–	327	327	29,577	46,286	9%	65%	10%	16%	0%
	Pump Stations	224	–	560	560	13,174	17,965	41%	34%	20%	5%	0%
	Treatment Works	91	–	1,167	1,167	19,677	26,641	42%	32%	25%	1%	0%
	Other – Manholes	615	–	18	18	6,212	11,801	2%	35%	42%	21%	0%
	<b>Sub-total</b>	<b>3,018</b>	<b>–</b>	<b>2,081</b>	<b>2,081</b>	<b>75,360</b>	<b>112,487</b>	<b>21.2%</b>	<b>49.1%</b>	<b>19.3%</b>	<b>10.4%</b>	<b>0.0%</b>

## Nambucca Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater Conduits	–	–	12	12	17,674	25,399	11%	58%	31%		0%
	Inlets & Junction Pits	–	–	–	–	4,003	5,698	13%	55%	32%		0%
	Culverts	–	–	78	78	7,898	11,777	5%	29%	66%		0%
	Other - Detention Basin	–	–	–	–	96	98	100%				0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>90</b>	<b>90</b>	<b>29,671</b>	<b>42,972</b>	<b>9.8%</b>	<b>49.5%</b>	<b>40.7%</b>	<b>0.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	–	–	10	10	1,044	2,257	27%	55%	18%		0%
	Other - Open Space	115	–	455	455	3,384	5,526	28%	22%	44%	5%	1%
	<b>Sub-total</b>	<b>115</b>	<b>–</b>	<b>465</b>	<b>465</b>	<b>4,428</b>	<b>7,783</b>	<b>27.7%</b>	<b>31.6%</b>	<b>36.5%</b>	<b>3.6%</b>	<b>0.7%</b>
Other infrastructure assets	Retaining Walls	162	–	–	–	7,898	8,585	68%	5%	18%	8%	1%
	Boat Ramps / Jetties, Boardwalks	75	–	28	28	2,335	3,563	6%	54%	29%	11%	0%
	Landslips	–	–	–	–	4,491	4,679	100%				0%
	Other	–	–	–	–	1,926	2,602		100%			0%
	<b>Sub-total</b>	<b>237</b>	<b>–</b>	<b>28</b>	<b>28</b>	<b>16,650</b>	<b>19,429</b>	<b>55.2%</b>	<b>25.5%</b>	<b>13.3%</b>	<b>5.6%</b>	<b>0.4%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>10,849</b>	<b>–</b>	<b>5,845</b>	<b>5,845</b>	<b>415,245</b>	<b>596,912</b>	<b>28.1%</b>	<b>35.1%</b>	<b>29.4%</b>	<b>7.1%</b>	<b>0.2%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required

4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

## Nambucca Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	<u>7,930</u>	<b>91.73%</b>	62.62%	62.65%	>= 100%
Depreciation, amortisation and impairment	<u>8,645</u>				
<b>2. Infrastructure backlog ratio <sup>(1)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<u>10,849</u>	<b>2.93%</b>	3.95%	2.89%	< 2.00%
Net carrying amount of infrastructure assets	<u>370,461</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>5,845</u>	<b>100.00%</b>	97.91%	181.06%	> 100%
Required asset maintenance	<u>5,845</u>				

## Notes

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

<sup>(1)</sup> Excludes Work In Progress (WIP)

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

## Nambucca Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2018

	General indicators <sup>(1)</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Infrastructure asset performance indicators by fund</b>							
<b>1. Buildings and infrastructure renewals ratio <sup>(2)</sup></b>							
Asset renewals <sup>(3)</sup>	<b>110.51%</b>	67.44%	<b>56.44%</b>	23.13%	<b>63.29%</b>	85.67%	>= 100%
Depreciation, amortisation and impairment							
<b>2. Infrastructure backlog ratio <sup>(2)</sup></b>							
Estimated cost to bring assets to a satisfactory standard	<b>1.27%</b>	4.78%	<b>5.93%</b>	2.63%	<b>4.00%</b>	3.30%	< 2.00%
Net carrying amount of infrastructure assets							
<b>3. Asset maintenance ratio</b>							
Actual asset maintenance	<b>100.00%</b>	96.69%	<b>100.00%</b>	96.80%	<b>100.00%</b>	100.00%	> 100%
Required asset maintenance							

**Notes**

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

(2) Excludes Work In Progress (WIP)

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