

Nambucca Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Nambucca Valley ~ Living at its best



General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	80
On the Financial Statements (Sect 417 [3])	83

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.

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Nambucca Shire Council

General Purpose Financial Statements

for the year ended 30 June 2019

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (as amended)

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

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

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

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

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

Signed in accordance with a resolution of Council made on 17 October 2019.



Rhonda Hoban
Mayor
17 October 2019



John Ainsworth
Councillor
17 October 2019



Michael Coulter
General Manager
17 October 2019



Matthew Sykes
Chief Financial Officer
17 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Restated Actual 2018 ^{1, 2}
Income from continuing operations				
<u>Revenue:</u>				
19,984	Rates and annual charges	3a	20,215	19,967
6,787	User charges and fees	3b	6,628	6,736
1,173	Interest and investment revenue	3c	1,487	1,298
785	Other revenues	3d	1,810	1,849
5,594	Grants and contributions provided for operating purposes	3e,3f	6,201	6,860
5,107	Grants and contributions provided for capital purposes	3e,3f	7,340	5,088
<u>Other income:</u>				
1,021	Net gains from the disposal of assets	5	—	—
—	Reversal of revaluation decrements / impairment of IPP&E previously expensed	4d	—	128
40,451	Total income from continuing operations		43,681	41,926
Expenses from continuing operations				
10,221	Employee benefits and on-costs	4a	10,088	9,450
2,672	Borrowing costs	4b	2,644	2,780
9,708	Materials and contracts	4c	8,829	8,807
9,672	Depreciation and amortisation	4d	9,529	9,648
2,996	Other expenses	4e	3,297	3,133
—	Net losses from the disposal of assets	5	1,675	2,612
—	Revaluation decrement / impairment of IPP&E	4d	286	—
35,269	Total expenses from continuing operations		36,348	36,430
5,182	Operating result from continuing operations		7,333	5,496
5,182	Net operating result for the year		7,333	5,496
5,182	Net operating result attributable to council		7,333	5,496
75	Net operating result for the year before grants and contributions provided for capital purposes		(7)	408

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

(2) See Note 13(b) for details regarding restatement as a result of Prior Period Error.

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	Restated 2018 ¹
Net operating result for the year (as per Income Statement) ²		7,333	5,496
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	2,588	14,601
Total items which will not be reclassified subsequently to the operating result		2,588	14,601
Total other comprehensive income for the year		2,588	14,601
Total comprehensive income for the year		9,921	20,097
Total comprehensive income attributable to Council		9,921	20,097

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

(2) See Note 13(b) for details regarding restatement as a result of Prior Period Error.

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018 ^{1, 2}	Restated 1 July 2017 ²
ASSETS				
Current assets				
Cash and cash equivalent assets	6(a)	6,742	6,999	7,437
Investments	6(b)	18,387	20,488	20,110
Receivables	7	4,785	4,423	4,959
Inventories	8a	1,948	1,517	2,822
Other	8b	95	117	83
Total current assets		31,957	33,544	35,411
Non-current assets				
Investments	6(b)	14,179	13,476	10,497
Receivables	7	49	56	63
Inventories	8a	1,444	1,588	15
Infrastructure, property, plant and equipment	9(a)	457,813	449,521	432,630
Intangible assets	10	485	279	279
Total non-current assets		473,970	464,920	443,484
TOTAL ASSETS		505,927	498,464	478,895
LIABILITIES				
Current liabilities				
Payables	11	2,377	2,827	2,644
Income received in advance	11	457	415	363
Borrowings	11	3,085	3,172	3,122
Provisions	12	3,619	3,327	3,699
Total current liabilities		9,538	9,741	9,828
Non-current liabilities				
Payables	11	398	397	356
Borrowings	11	39,129	41,390	41,874
Provisions	12	404	399	397
Total non-current liabilities		39,931	42,186	42,627
TOTAL LIABILITIES		49,469	51,927	52,455
Net assets		456,458	446,537	426,440
EQUITY				
Accumulated surplus	13a	323,377	315,857	309,922
Revaluation reserves	13a	133,081	130,680	116,518
Council equity interest		456,458	446,537	426,440
Total equity		456,458	446,537	426,440

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

(2) See Note 13 (b) for details regarding restatement as a result of Prior Period Error

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

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ^{1, 2}		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance ²		317,325	132,116	449,441	311,227	117,954	429,181
Correction of prior period errors	13b	(1,468)	(1,436)	(2,904)	(1,305)	(1,436)	(2,741)
Restated opening balance		315,857	130,680	446,537	309,922	116,518	426,440
Net operating result for the year		7,333	–	7,333	5,659	–	5,659
Correction of prior period errors	13b	–	–	–	(163)	–	(163)
Restated net operating result for the period		7,333	–	7,333	5,496	–	5,496
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	2,588	2,588	–	14,601	14,601
Other comprehensive income		–	2,588	2,588	–	14,601	14,601
Total comprehensive income		7,333	2,588	9,921	5,496	14,601	20,097
Transfers between equity items		187	(187)	–	439	(439)	–
Equity – balance at end of the reporting period		323,377	133,081	456,458	315,857	130,680	446,537

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

(2) See Note 13 (b) for details regarding restatement as a result of Prior Period Error.

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
	<u>Receipts</u>			
19,984	Rates and annual charges		20,238	19,466
6,787	User charges and fees		6,545	6,788
1,173	Investment revenue and interest received		1,081	933
10,701	Grants and contributions		11,076	10,740
–	Bonds, deposits and retention amounts received		210	140
785	Other		3,681	3,791
	<u>Payments</u>			
(9,960)	Employee benefits and on-costs		(9,777)	(9,801)
(9,708)	Materials and contracts		(9,317)	(8,672)
(2,672)	Borrowing costs		(2,530)	(2,555)
–	Bonds, deposits and retention amounts refunded		(140)	(90)
(2,996)	Other		(5,945)	(5,543)
14,094	Net cash provided (or used in) operating activities	14b	15,122	15,197
Cash flows from investing activities				
	<u>Receipts</u>			
1,218	Sale of investment securities		9,038	12,340
1,120	Sale of real estate assets		217	116
269	Sale of infrastructure, property, plant and equipment		406	293
	<u>Payments</u>			
1,369	Purchase of investment securities		(7,221)	(15,325)
(15,468)	Purchase of infrastructure, property, plant and equipment		(14,583)	(12,062)
–	Purchase of real estate assets		(499)	(375)
–	Purchase of intangible assets		(266)	–
(11,492)	Net cash provided (or used in) investing activities		(12,908)	(15,013)
Cash flows from financing activities				
	<u>Receipts</u>			
700	Proceeds from borrowings and advances		700	2,500
	<u>Payments</u>			
(3,296)	Repayment of borrowings and advances		(3,171)	(3,122)
(2,596)	Net cash flow provided (used in) financing activities		(2,471)	(622)
6	Net increase/(decrease) in cash and cash equivalents		(257)	(438)
6,999	Cash and cash equivalents – beginning of year	14a	6,999	7,437
7,005	Cash and cash equivalents – end of the year	14a	6,742	6,999
Additional Information:				
33,837	plus: Investments on hand – end of year	6(b)	32,566	33,964
40,842	Total cash, cash equivalents and investments		39,308	40,963

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

Notes to the Financial Statements

for the year ended 30 June 2019

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Income from continuing operations	16
4	Expenses from continuing operations	22
5	Gains or losses from the disposal, replacement and de-recognition of assets	26
6(a)	Cash and cash equivalent assets	27
6(b)	Investments	27
6(c)	Restricted cash, cash equivalents and investments – details	30
7	Receivables	31
8	Inventories and other assets	33
9(a)	Infrastructure, property, plant and equipment	35
9(b)	Externally restricted infrastructure, property, plant and equipment	39
9(c)	Infrastructure, property, plant and equipment – current year impairments	39
10	Intangible assets	40
11	Payables and borrowings	41
12	Provisions	44
13	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	46
14	Statement of cash flows – additional information	50
15	Commitments	51
16	Contingencies and other assets/liabilities not recognised	52
17	Financial risk management	56
18	Material budget variations	60
19	Fair Value Measurement	62
20	Related Party Transactions	71
21	Statement of developer contributions	72
22	Financial result and financial position by fund	74
23(a)	Statement of performance measures – consolidated results	77
23(b)	Statement of performance measures – by fund	78
Additional Council disclosures (unaudited)		
24	Council information and contact details	79

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 17 October 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

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

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (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

- (i) Impairment of receivables

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 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 will 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 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. These standards may affect the timing of the recognition of some grants and donations.

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

Based on Council's analysis, the impact on Council's revenue, net operating result and financial position would be considered immaterial if Council was to adopt the new revenue standards for the year ended 30 June 2019.

Council is unable to reliably estimate the impact on the financial statements for the year ended 30 June 2020 as the main impact could be on the treatment of certain capital and operational grant revenues. Council is unsure what potential new grants impacted by the new standards it may obtain in the 2020 financial year and also whether certain grants would remain materially incomplete as at 30 June 2020.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

- AASB 16 Leases

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

Based upon Council's investigation and analysis, Council did not identify any leases which require adjustment to their current accounting treatment under AASB 16. Council, therefore considers the impact of adopting AASB 16 on the financial statements for the 2019-20 financial year to not be material due to the leases identified being immaterial, leases of intangible assets or Council is able to apply the short-term and low-value asset exemptions.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Administration	14,710	15,479	999	822	13,711	14,657	4,083	3,836	11,423	20,752
Public Order and Safety	983	573	1,319	1,308	(336)	(735)	236	245	4,515	4,111
Health	197	198	236	273	(39)	(75)	–	–	43	55
Environment	650	679	1,457	1,256	(807)	(577)	309	354	502	339
Community Services and Education	6	233	62	305	(56)	(72)	6	233	934	975
Housing and Community amenities	5,900	5,804	5,952	6,247	(52)	(443)	146	148	8,920	8,164
Water Supplies	5,994	6,513	5,540	5,575	454	938	–	–	115,617	111,992
Sewerage Services	6,389	5,657	4,994	5,039	1,395	618	407	101	89,813	85,070
Recreation and Culture	2,320	1,623	3,723	3,662	(1,403)	(2,039)	1,661	640	48,160	46,543
Mining, Manufacturing and Construction	137	170	395	381	(258)	(211)	–	–	–	–
Transport and Communication	6,335	4,899	11,189	11,285	(4,854)	(6,386)	2,236	1,361	222,856	218,634
Economic Affairs	60	98	482	277	(422)	(179)	44	–	3,144	1,829
Total functions and activities	43,681	41,926	36,348	36,430	7,333	5,496	9,128	6,918	505,927	498,464

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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 environmental and town planning support services.

Community Services and Education

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

Housing and Community Services

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

Water Supply

Sewerage Services

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 pool, parks; gardens; lakes; and other sporting, recreation and cultural services.

Mining, Manufacturing and Construction

Includes building control; quarries and pits.

Transport and Communciation

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

Economic Affairs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	8,400	8,172
Farmland	986	961
Business	1,018	1,086
Less: pensioner rebates	(403)	(392)
Rates levied to ratepayers	10,001	9,827
Pensioner rate subsidies received	221	215
Total ordinary rates	10,222	10,042
Special rates		
Environmental	411	406
Rates levied to ratepayers	411	406
Total special rates	411	406
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	4,055	4,045
Water supply services	1,059	1,066
Sewerage services	3,737	3,704
Drainage	146	144
Waste management services (non-domestic)	770	741
Less: pensioner rebates	(449)	(444)
Annual charges levied	9,318	9,256
Pensioner subsidies received:		
– Water	82	81
– Sewerage	74	74
– Domestic waste management	108	108
Total annual charges	9,582	9,519
TOTAL RATES AND ANNUAL CHARGES	20,215	19,967

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	3,731	3,823
Sewerage services	892	843
Waste management services (non-domestic)	912	972
Other	50	80
Library	4	5
Total specific user charges	5,589	5,723
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	133	162
Planning and building regulation	218	201
Private works – section 67	42	47
Regulatory/ statutory fees	259	181
Section 10.7 certificates (EP&A Act)	45	46
Section 603 certificates	37	43
Town planning-environmental compliance fees	28	15
Septic tank income	72	118
Total fees and charges – statutory/regulatory	834	813
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	105	103
Park rents	100	97
Total fees and charges – other	205	200
TOTAL USER CHARGES AND FEES	6,628	6,736

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	136	150
– Cash and investments	932	776
Fair value adjustments		
– Movements in investments at fair value through profit and loss	419	372
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>1,487</u>	<u>1,298</u>

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

Overdue rates and annual charges (general fund)	136	150
General Council cash and investments	519	487

Restricted investments/funds – external:

Development contributions		
– Section 7.11	24	28
– Section 64	166	141
Water fund operations	390	292
Sewerage fund operations	198	161
Domestic waste management operations	54	39

Total interest and investment revenue	<u>1,487</u>	<u>1,298</u>
----------------------------------------------	---------------------	---------------------

Accounting policy for interest and investment revenue

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

(d) Other revenues

Fines – parking	11	25
Fines – other	32	33
Legal fees recovery – rates and charges (extra charges)	1	–
Diesel rebate	56	55
Sales – general	9	15
Administration	37	12
Bank merchant service fees	9	12
Environmental services	51	57
Insurance – premium rebates	42	26
Lease rentals	319	304
Libraries	9	9
Road closure/compulsory acquisition	24	39
Special meter reading fees	5	4
Other – found assets	1,200	1,245
Other	5	13
<u>TOTAL OTHER REVENUE</u>	<u>1,810</u>	<u>1,849</u>

Accounting policy for other revenue

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018 ¹
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,389	1,300	–	–
Financial assistance – local roads component	610	591	–	–
Payment in advance - future year allocation				
Financial assistance – general component ^{##}	1,440	1,334	–	–
Financial assistance – local roads component	633	608	–	–
Total general purpose	4,072	3,833	–	–
Specific purpose				
Sewerage services	–	–	408	102
Bushfire and emergency services	236	245	–	–
Community care	3	119	–	–
Community centres	41	–	–	–
Economic development	44	–	–	–
Employment and training programs	16	115	–	–
Environmental programs	260	304	50	50
Library	66	203	100	–
LIRS subsidy	88	103	–	–
Noxious weeds	83	84	–	–
Public halls	8	12	–	–
Recreation and culture	20	31	1,387	394
Street lighting	20	19	–	–
Transport (roads to recovery)	538	1,074	–	–
Transport (other roads and bridges funding)	52	33	1,539	131
Museums	–	–	33	–
Other – better waste and recycling	64	64	–	–
Other	–	2	–	–
Total specific purpose	1,539	2,408	3,517	677
Total grants	5,611	6,241	3,517	677
Grant revenue is attributable to:				
– Commonwealth funding	4,632	4,935	144	102
– State funding	961	1,304	3,373	575
– Other funding	18	2	–	–
	5,611	6,241	3,517	677

(1) These figures have been restated

(##) Partial prepayment of the 2019/20 Financial Assistance Grant is recognised as income in the 2018/19 statements and placed in an internal reserve (see Note 6c). The prepayment is included in the financial performance ratios at Note 23 & has a material impact.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018 ¹
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	132	66
S 7.12 – fixed development consent levies		–	–	229	221
S 64 – water supply contributions		–	–	583	302
S 64 – sewerage service contributions		–	–	609	542
Total developer contributions	21	–	–	1,553	1,131
Other contributions:					
Cash contributions					
Bushfire services		–	–	13	193
Business development		–	25	–	–
Kerb and gutter		–	–	–	489
Paving		–	–	–	40
Recreation and culture		23	24	–	–
Roads and bridges		73	(21)	37	131
RMS contributions (regional roads, block grant)		494	587	306	898
Sewerage (excl. section 64 contributions)		–	–	110	99
Water supplies (excl. section 64 contributions)		–	–	24	24
Other		–	2	7	–
Libraries		–	2	–	–
Total other contributions – cash		590	619	497	1,874
Non-cash contributions					
Subdivisions		–	–	1,089	1,346
Bushfire grants		–	–	682	60
Other Dedications		–	–	2	–
Total other contributions – non-cash		–	–	1,773	1,406
Total other contributions		590	619	2,270	3,280
Total contributions		590	619	3,823	4,411
TOTAL GRANTS AND CONTRIBUTIONS		6,201	6,860	7,340	5,088

Accounting policy for grants and contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer. Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below. Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules. A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

(1) These figures have been restated

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
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(g) Unspent grants and contributions

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

Operating grants

Unexpended at the close of the previous reporting period	2,090	2,276
Add: operating grants recognised in the current period but not yet spent	211	21
Add: operating grants received for the provision of goods and services in a future period	2,088	1,942
Less: operating grants recognised in a previous reporting period now spent	(2,060)	(2,149)
Unexpended and held as restricted assets (operating grants)	2,329	2,090

- Grants Commission (FAG) - \$2,073,211
- Aboriginal Community Development Worker - \$19,310
- LLS NC00305 (Scotts Head Coastal Weeds/ Glycine) - \$5,601
- Improvements to seawall at Bellwood Nambucca Heads - OEH - \$2,800
- Saving our Species - Koala Habitat Program (OEH) - \$30,000
- RFS unexpended funds - \$9,875
- Access Special Needs (Aged & Disability) - \$990
- NSW Weeds Action Program 2015-2020 - \$15,000
- Upkeep of Memorials at Bowraville- \$20,000
- Crown Lands - Plans of Management - \$37,362
- Main Street Revitalisation (SCCF 2) - \$45,000
- OEH Better Waste & Recycling - \$63,519

Capital grants

Unexpended at the close of the previous reporting period	429	448
Add: capital grants recognised in the current period but not yet spent	1,131	134
Less: capital grants recognised in a previous reporting period now spent	(573)	(153)
Unexpended and held as restricted assets (capital grants)	987	429

- SCCF Round 1 - Bowraville Connections - \$17,568
- OEH - Heritage New Me -Macksville Bridge - \$94,283
- Department of Planning & Environment - Library Extension - \$100,000
- Office of Liquor & Gaming - Emergency Signage - \$4,297
- Club Grants Categeory 3 Fund - Phillip Hughes Oval - \$149,172
- SCCF Round 2 - Phillip Hughes Oval -\$ 62,566
- RFID Implementation - Library - \$42,729
- SCCF Round 2 - Revitalisation V-Wall - \$141,109
- SCCF Round 2 - Bowraville Connections Playground - \$60,279
- "Inclusive Playground for everyone" -Bowraville Connections - \$39,244
- SCCF Round 2 - South Macksville Playing Fields and amenities - \$129,302
- Australian Sports Commission - Macksville Park amenities upgrade - \$140,703

Contributions

Unexpended at the close of the previous reporting period	7,352	7,189
Add: contributions recognised in the current period but not yet spent	1,808	1,375
Less: contributions recognised in a previous reporting period now spent	(1,842)	(1,212)
Unexpended and held as restricted assets (contributions)	7,318	7,352

Developer Contributions:

- General Fund \$554,589
- Water Fund \$5,847,311
- Sewer Fund \$ 636,355

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	7,512	7,007
Employee termination costs (where material – other than vested leave paid)	104	145
Travel expenses	472	495
Employee leave entitlements (ELE)	1,554	1,198
Superannuation	963	923
Workers' compensation insurance	224	213
Fringe benefit tax (FBT)	49	57
Training costs (other than salaries and wages)	123	149
Other	48	60
Total employee costs	11,049	10,247
Less: capitalised costs	(961)	(797)
TOTAL EMPLOYEE COSTS EXPENSED	10,088	9,450
Number of 'full-time equivalent' employees (FTE) at year end	119	110
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	120	118

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

Retirement benefit obligations

All employees of the council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		2,516	2,581
Total interest bearing liability costs expensed		2,516	2,581
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	12	5	11
Interest applicable on interest free (and favourable) loans to Council		123	188
Total other borrowing costs		128	199
TOTAL BORROWING COSTS EXPENSED		2,644	2,780

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	714	794
Contractor and consultancy costs (other)	4,148	3,303
– Beach inspections	79	69
– Cleaning of Council buildings	193	155
– Community consultation	–	6
– Computer system – Civica – Authority	183	132
– Environmental	–	2
– Equipment hire	222	829
– Financial	36	33
– Labour hire	410	389
– Sewer	–	1
– Waste collection contract	2,534	2,806
– Water	71	33
– Contractor and consultancy costs (internal audit)	14	30
– Contractor and consultancy costs (enter details when material)	8	–
Auditors remuneration ¹	47	41
Legal expenses:		
– Legal expenses: planning and development	30	16
– Legal expenses: other	140	168
Total materials and contracts	8,829	8,807
TOTAL MATERIALS AND CONTRACTS	8,829	8,807

1. Auditor remuneration

During the year, the following fees were incurred for services provided by the auditor of Council and related practices.

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

Audit and review of financial statements	47	41
Remuneration for audit and other assurance services	47	41
Total Auditor-General remuneration	47	41
Total Auditor remuneration	47	41

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		722	747
Office equipment		49	106
Furniture and fittings		9	8
Land improvements (depreciable)		3	3
Land under Roads (post 1/7/08)		–	–
Infrastructure:			
– Buildings – non-specialised		343	456
– Buildings – specialised		197	339
– Other structures		517	512
– Roads		2,618	2,581
– Bridges		628	638
– Footpaths		111	102
– Stormwater drainage		449	445
– Water supply network		1,597	1,554
– Sewerage network		1,719	1,659
– Swimming pools		37	37
– Other open space/recreational assets		155	152
– Other infrastructure		305	298
Other assets:			
– Heritage collections		1	1
– Library books		93	90
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9(a), 12	17	20
Intangible assets	10	60	–
Total gross depreciation and amortisation costs		9,630	9,748
Less: capitalised costs		(101)	(100)
Total depreciation and amortisation costs		9,529	9,648
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
Land under Roads (post 1/7/08)		286	–
– Bridges	9(c)	–	(128)
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		286	(128)
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		286	(128)
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		9,815	9,520

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

Impairment of non-financial assets

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

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

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

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.

\$ '000	2019	2018
(e) Other expenses		
Advertising	106	72
Bad and doubtful debts	(4)	(15)
Bank charges	62	58
Contributions/levies to other levels of government	64	64
– Bushfire fighting fund	263	271
– Waste levy	533	536
– Other contributions/levies	39	37
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	133	129
Councillors' expenses (incl. mayor) – other (excluding fees above)	17	23
Donations, contributions and assistance to other organisations (Section 356)	88	80
– SES vehicle expenses	26	32
Electricity and heating	643	609
Insurance	541	509
Insurance excess (PI/PL)	1	13
Office expenses (including computer expenses)	129	103
Postage	43	46
Printing and stationery	71	51
Street lighting	277	266
Subscriptions and publications	74	73
Telephone and communications	98	93
Valuation fees	67	87
Other (land development revaluation loss)	–	(29)
Total other expenses	3,297	3,133
TOTAL OTHER EXPENSES	3,297	3,133

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		176	125
Less: carrying amount of property assets sold/written off		(125)	(68)
Net gain/(loss) on disposal		51	57
Plant and equipment			
	9(a)		
Proceeds from disposal – plant and equipment		230	168
Less: carrying amount of plant and equipment assets sold/written off		(120)	(83)
Net gain/(loss) on disposal		110	85
Infrastructure			
	9(a)		
Less: carrying amount of infrastructure assets sold/written off		(1,959)	(2,752)
Net gain/(loss) on disposal		(1,959)	(2,752)
Real estate assets held for sale			
	8		
Proceeds from disposal – real estate assets		217	116
Less: carrying amount of real estate assets sold/written off		(94)	(118)
Net gain/(loss) on disposal		123	(2)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,675)	(2,612)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	3,324	3,349
Cash-equivalent assets		
– Deposits at call	3,418	3,650
Total cash and cash equivalents	6,742	6,999

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	6,934	4,283	6,520	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	11,453	9,896	13,968	13,476
Total Investments	18,387	14,179	20,488	13,476
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	25,129	14,179	27,487	13,476
Financial assets at fair value through the profit and loss				
Managed funds	4,961	–	4,709	–
NCD's, FRN's (with maturities > 3 months)	–	4,283	–	–
Tcorp	1,973	–	1,811	–
Total	6,934	4,283	6,520	–
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	10,953	9,896	12,963	9,712
NCD's, FRN's (with maturities > 3 months)	500	–	1,005	3,764
Total	11,453	9,896	13,968	13,476

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

- fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents, long term deposits & Teachers Mutual Bank FRN, in the Statement of Financial Position.

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

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

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs (excluding Teachers Mutual Bank FRN), Managed Funds and TCorp, in the Statement of Financial Position.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

(b) Held to maturity investments

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

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 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.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	25,129	14,179	27,487	13,476
attributable to:				
External restrictions	16,771	14,179	15,764	13,476
Internal restrictions	7,437	–	7,070	–
Unrestricted	921	–	4,653	–
	25,129	14,179	27,487	13,476

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Security deposits	634	564
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External restrictions – included in liabilities

External restrictions – other

Developer contributions – general	555	1,123
Developer contributions – water fund	5,847	5,280
Developer contributions – sewer fund	637	713
Specific purpose unexpended grants	1,243	578
Water supplies	14,011	13,445
Sewerage services	6,132	6,319
Domestic waste management	1,891	1,218

External restrictions – other

Total external restrictions

Internal restrictions

Plant and vehicle replacement	834	641
Employees leave entitlement	1,640	1,636
Council building reserve	336	274
Election	103	69
Environment rate unallocated	281	435
Land development	–	(1,019)
Lawn cemetery	8	8
Office equipment	147	137
Other contributions	279	236
Public road/reserve sales	45	45
Stormwater management	205	213
Swimming pool	184	156
Waste management	755	978
Unspent Financial Assistance Grant	2,073	1,942
Unexpended Loans - General Fund	547	1,319

Total internal restrictions

TOTAL RESTRICTIONS

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	1,195	–	1,225	–
Interest and extra charges	128	–	141	–
User charges and fees	1,546	–	1,421	–
Accrued revenues				
– Interest on investments	293	–	293	–
Flood damage (RMS)	49	–	79	–
General	212	–	394	–
Government grants and subsidies	972	–	280	–
Loans to sporting clubs	7	49	7	56
Net GST receivable	328	–	358	–
On site sewer management	9	–	9	–
Other debtors – waste	47	–	64	–
Other debtors – RFS	33	–	193	–
Total	4,819	49	4,464	56
Less: provision of impairment				
Rates and annual charges	(34)	–	(41)	–
Total provision for impairment – receivables	(34)	–	(41)	–
TOTAL NET RECEIVABLES	4,785	49	4,423	56
Externally restricted receivables				
Water supply				
– Rates and availability charges	1,355	–	1,242	–
Sewerage services				
– Rates and availability charges	455	–	417	–
– Other	49	–	339	–
Domestic waste management	264	–	276	–
Total external restrictions	2,123	–	2,274	–
Unrestricted receivables	2,662	49	2,149	56
TOTAL NET RECEIVABLES	4,785	49	4,423	56

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	41	57
+ new provisions recognised during the year	3	41
– amounts provided for but recovered during the year	(10)	(57)
Balance at the end of the period	34	41

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when all avenues of debt recovery have been exhausted, or when it is considered financially unviable to pursue the debt further, whichever occurs first.

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	941	1,441	499	1,585
Stores and materials	1,007	–	1,018	–
Total inventories at cost	1,948	1,441	1,517	1,585
(ii) Inventories at net realisable value (NRV)				
Real estate for resale	–	3	–	3
Total inventories at net realisable value (NRV)	–	3	–	3
TOTAL INVENTORIES	1,948	1,444	1,517	1,588

(b) Other assets

Prepayments	95	–	117	–
TOTAL OTHER ASSETS	95	–	117	–

Externally restricted assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Water				
Stores and materials	30	–	33	–
Total water	30	–	33	–

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	30	–	33	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	2,013	1,444	1,601	1,588
TOTAL INVENTORIES AND OTHER ASSETS	2,043	1,444	1,634	1,588

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		696	369	–	529
Industrial/commercial		245	1,075	499	1,059
Total real estate for resale		941	1,444	499	1,588
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		352	1,444	470	1,271
Development costs		589	–	29	317
Total costs		941	1,444	499	1,588
Total real estate for resale		941	1,444	499	1,588
Movements:					
Real estate assets at beginning of the year		499	1,588	1,815	15
– Purchases and other costs		589	–	29	–
– Transfers in from (out to) Note 10		(107)	–	–	–
– WDV of sales (expense)	5	(94)	–	(118)	–
– Transfer between current/non-current		54	(144)	(1,227)	1,573
Total real estate for resale		941	1,444	499	1,588

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Stores and Materials held for distribution

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

Real Estate held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2018 ²			Asset movements during the reporting period										as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Other movements- Adjustment through CY P & L	Tfrs from/(to) real estate assets (Note 8)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000																
Capital work in progress	2,454	—	2,454	488	486	—	—	—	(2,201)	—	—	—	—	1,227	—	1,227
Plant and equipment	12,964	(8,411)	4,553	1,894	302	(139)	(722)	—	—	—	—	—	—	14,241	(8,353)	5,888
Office equipment	1,834	(1,482)	352	55	15	—	(49)	—	—	(214)	—	—	—	1,364	(1,205)	159
Furniture and fittings	437	(403)	34	—	31	—	(9)	—	—	—	—	—	—	468	(412)	56
Land:																
— Crown land	—	—	—	—	—	(236)	—	—	—	8,939	274	—	—	8,977	—	8,977
— Operational land	8,251	—	8,251	—	—	(175)	—	—	—	(270)	—	5	—	7,811	—	7,811
— Community land	17,635	—	17,635	—	—	(17)	—	—	—	(8,669)	—	102	—	9,051	—	9,051
— Land under roads (post 30/6/08)	323	—	323	—	4	—	—	(286)	—	—	—	—	—	42	—	42
Land improvements – depreciable	249	(29)	220	—	—	—	(3)	—	—	—	—	—	—	249	(32)	217
Infrastructure:																
— Buildings – non-specialised	23,280	(7,769)	15,511	81	28	(67)	(343)	—	—	—	—	—	—	23,290	(8,080)	15,210
— Buildings – specialised	16,426	(3,464)	12,962	129	336	(81)	(197)	—	280	—	—	—	—	16,945	(3,516)	13,429
— Other structures	13,046	(7,563)	5,483	942	264	(142)	(517)	—	99	—	—	—	—	14,040	(7,911)	6,129
— Roads	138,469	(51,257)	87,212	3,545	964	(793)	(2,618)	—	781	—	—	—	—	141,530	(52,439)	89,091
— Bridges	41,620	(12,884)	28,736	1,719	59	(235)	(628)	—	162	—	—	—	—	42,836	(13,023)	29,813
— Footpaths	9,162	(2,416)	6,746	72	166	(78)	(111)	—	213	—	—	—	—	9,481	(2,473)	7,008
— Bulk earthworks (non-depreciable)	45,004	—	45,004	—	706	—	—	—	—	—	—	—	—	45,710	—	45,710
— Stormwater drainage	42,972	(13,301)	29,671	126	720	(19)	(449)	—	59	—	926	—	—	46,351	(15,317)	31,034
— Water supply network	127,235	(39,753)	87,482	160	370	(102)	(1,597)	—	—	—	—	—	1,374	129,581	(41,894)	87,687
— Sewerage network	112,487	(37,127)	75,360	212	1,455	(96)	(1,719)	—	354	—	—	—	1,191	116,104	(39,347)	76,757
— Swimming pools	2,257	(1,213)	1,044	16	—	—	(37)	—	—	—	—	—	—	2,273	(1,250)	1,023
— Other open space/recreational assets	5,526	(2,142)	3,384	72	49	—	(155)	—	72	—	—	—	—	5,711	(2,289)	3,422
— Other infrastructure	19,431	(2,781)	16,650	36	1,100	(24)	(305)	—	181	—	—	—	—	20,715	(3,077)	17,638
Other assets:																
— Heritage collections	120	(38)	82	—	—	—	(1)	—	—	—	—	—	—	120	(39)	81
— Library books	542	(274)	268	—	88	—	(93)	—	—	—	—	—	—	545	(282)	263
— Other	7	(2)	5	—	—	—	—	—	—	—	—	—	—	7	(2)	5
Reinstatement, rehabilitation and restoration assets (refer Note 12):																
— Tip assets	259	(160)	99	—	—	—	(17)	—	—	(20)	—	—	23	238	(153)	85
Total Infrastructure, property, plant and equipment	641,990	(192,469)	449,521	9,547	7,143	(2,204)	(9,570)	(286)	—	(234)	1,200	107	2,588	658,907	(201,094)	457,813

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

(2) See Note 13 (b) for details regarding restatement as a result of Prior Period Error.

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2017 ²			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ⁽¹⁾	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Revaluation decrements (recognised in P/L)	Adjustments and transfers	Adjustments through CY P & L	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000															
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
Land:															
– 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)	305	–	305	–	17	–	–	–	–	–	–	–	323	–	323
Land improvements – depreciable	249	(26)	223	–	–	–	–	(3)	–	–	–	–	249	(29)	220
Infrastructure:															
– 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	4	–	–	–	–	169	–	45,004	–	45,004
– Stormwater drainage	42,767	(12,888)	29,879	31	215	–	(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
Other assets:															
– 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
Reinstatement, rehabilitation and restoration assets (refer Note 12):															
– Tip assets	259	(140)	119	–	–	–	–	(20)	–	–	–	–	259	(160)	99
Total Infrastructure, property, plant and equipment	627,106	(194,476)	432,630	10,203	3,351	10	(2,900)	(9,748)	128	–	1,245	14,601	641,990	(192,469)	449,521

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

(2) See Note 13(b) for details regarding restatement as a result of Prior Period Error.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

Plant and equipment	Years	Other Structures	Years
Office equipment	3 to 15	Fences	15 to 30
Office furniture	5 to 20	Guard Rail	20
Computer equipment	4	Bus Shelters	20 to 80
Vehicles	3 to 5	Lighting	10 to 30
Heavy plant/road making equipment	5 to 20	Solar Waste Bins	10
Other plant and equipment	3 to 30		
Water and sewer assets		Stormwater assets	
Sewer - Rising Mains	67 to 79	Drains/Pits	70 to 106
Sewer -Gravity Mains	60 to 88	Culverts	60 to 106
Sewer Manholes	64 to 100	Pipes	50 to 106
Sewer Pumps & Telemetry,switchboards, valve pits	10 to 100		
Sewer Treatment Plant	14 to 133	Buildings	
Water Reticulation Mains	50 to 100	Buildings: Specialised	17 to 142
Water Trunk Mains	68 to 100	Buildings: Non Specialised	17 to 142
Water Reservoirs - Dams	20 to 129		
Water Treatment Plant	15 to 100		
Water Bores	20 to 70		
Water Pump Station	20 to 70		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 40	Swimming pools	60 to 80
Sealed roads: structure	60 to 120	Other open space/recreational assets	10 to 85
Unsealed roads	20 to 25	Other infrastructure	15 to 100
Bridge: concrete	80 to 100		
Bridge: other	30 to 80		
Kerb, gutter and footpaths	60 to 85		
Bulk earthworks	Infinite		

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(a). 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 firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019			2018 ²		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	169	–	169	12	–	12
Plant and equipment	611	146	465	647	182	465
Office equipment	10	10	–	10	10	–
Furniture and fittings	2	2	–	2	2	–
Land						
– Operational land	2,202	–	2,202	2,202	–	2,202
– Community land	27	–	27	28	–	28
Buildings	800	150	650	800	142	658
Other structures	244	54	190	244	45	199
Infrastructure	129,582	41,894	87,688	127,235	39,753	87,482
Other assets	2,927	224	2,703	2,921	188	2,733
Total water supply	136,574	42,480	94,094	134,101	40,322	93,779
Sewerage services						
WIP	199	–	199	366	–	366
Plant and equipment	563	198	365	563	181	382
Office equipment	4	4	–	7	7	–
Furniture and fittings	7	7	–	7	7	–
Land						
– Operational land	1,546	–	1,546	1,541	–	1,541
– Community land	669	–	669	669	–	669
Buildings	1,466	186	1,280	1,259	169	1,090
Other structures	546	215	331	546	198	348
Infrastructure	116,103	39,347	76,756	112,487	37,127	75,360
Other assets	1,823	399	1,424	1,810	356	1,454
Total sewerage services	122,926	40,356	82,570	119,255	38,045	81,210
Domestic waste management						
WIP	–	–	–	23	–	23
Plant and equipment	1,131	254	877	903	651	252
Land						
– Operational land	525	–	525	525	–	525
Buildings	531	48	483	520	51	469
Other structures	5,963	4,797	1,166	5,940	4,567	1,373
Total DWM	8,150	5,099	3,051	7,911	5,269	2,642
TOTAL RESTRICTED I,PP&E	267,650	87,935	179,715	261,267	83,636	177,631

(2) See Note 13 (b) for details regarding restatement as a result of Prior Period Error.

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

\$ '000	Notes	2019	2018
Reversal of impairment losses previously recognized in the Income Statement:			
–Correction – Bradley's Bridge Flood Damage		–	128
Total impairment reversals		–	128
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4d	–	128

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Intangible assets

\$ '000	2019	2018
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Intangible assets are as follows:

Opening values at 1 July

Gross book value	279	279
Net book value – opening balance	279	279

Movements for the year

– Purchases	52	–
– Other capitalised costs (specify details) ¹	214	–
– Amortisation charges	(60)	–

Closing values at 30 June

Gross book value	838	279
Accumulated amortisation	(353)	–

TOTAL INTANGIBLE ASSETS – NET BOOK VALUE

485	279
------------	------------

The net book value of intangible assets represents:

– Land easements – water storage dam	279	279
– Software	206	–
	485	279

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

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

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

Other intangible asset class - Land Easements - Water Storage Dam

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

(1) Software transferred from Note 9

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services	1,633	–	2,132	–
Accrued expenses:				
– Borrowings	298	–	312	–
– Salaries and wages	178	–	179	–
– Other expenditure accruals	20	–	26	–
Security bonds, deposits and retentions	236	398	167	397
Other	12	–	11	–
Total payables	2,377	398	2,827	397
Income received in advance				
Payments received in advance	457	–	415	–
Total income received in advance	457	–	415	–
Borrowings				
Loans – secured ¹	3,085	39,129	3,172	41,390
Total borrowings	3,085	39,129	3,172	41,390
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>5,919</u>	<u>39,527</u>	<u>6,414</u>	<u>41,787</u>

(1) Loans are secured over the general rating income of Council. Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	537	22,096	516	22,521
Sewer	1,386	2,448	1,450	3,666
Payables and borrowings relating to externally restricted assets	1,923	24,544	1,966	26,187
Total payables and borrowings relating to restricted assets	1,923	24,544	1,966	26,187
Total payables and borrowings relating to unrestricted assets	3,996	14,983	4,448	15,600
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>5,919</u>	<u>39,527</u>	<u>6,414</u>	<u>41,787</u>

(b) Current payables and borrowings not anticipated to be settled within the next twelve months

Nil

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

(c) Changes in liabilities arising from financing activities

	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	44,562	(2,471)	–	–	123	42,214
TOTAL	44,562	(2,471)	–	–	123	42,214

	as at 30/6/2017					as at 30/6/2018
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	44,996	(622)	–	–	188	44,562
TOTAL	44,996	(622)	–	–	188	44,562

\$ '000	2019	2018
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(d) Financing arrangements

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

Credit cards/purchase cards	90	75
Total financing arrangements	90	75

Undrawn facilities as at balance date:

– Credit cards/purchase cards	90	75
Total undrawn financing arrangements	90	75

Additional financing arrangements information

Breaches and defaults

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

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	754	–	719	–
Sick leave	637	–	737	–
Long service leave	2,090	62	1,733	42
Other leave	138	–	138	–
Sub-total – aggregate employee benefits	3,619	62	3,327	42
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	342	–	357
Sub-total – asset remediation/restoration	–	342	–	357
<u>TOTAL PROVISIONS</u>	<u>3,619</u>	<u>404</u>	<u>3,327</u>	<u>399</u>

(a) Provisions relating to restricted assets

Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	3,619	404	3,327	399
<u>TOTAL PROVISIONS</u>	<u>3,619</u>	<u>404</u>	<u>3,327</u>	<u>399</u>

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

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

Provisions – employees benefits	2,199	1,873
	<u>2,199</u>	<u>1,873</u>

(c) Description of and movements in provisions

	ELE provisions				
\$ '000	Annual leave	Sick leave	Long service leave	Other employee benefits	Total
2019					
At beginning of year	719	737	1,775	138	3,369
Additional provisions	649	319	687	—	1,655
Amounts used (payments)	(614)	(419)	(310)	—	(1,343)
Total ELE provisions at end of period	754	637	2,152	138	3,681
2018					
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 period	719	737	1,775	138	3,369

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	357	357
Remeasurement effects	(20)	(20)
Unwinding of discount	5	5
Total other provisions at end of period	342	342
2018		
At beginning of year	347	347
Unwinding of discount	10	10
Total other provisions at end of period	357	357

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.

On-costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

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

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Nature of prior-period error

The Council previously valued Land Under Roads (LUR) using an average unit rate based on the land value provided by the Valuer-General for adjoining properties. In performing a comprehensive revaluation of LUR as at 31 March 2019, the Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

determined that the “englobo” method of valuation should have been applied. Retrospective correction of the error reduced the 1 July 2017 comparatives for LUR (within infrastructure, property, plant and equipment) and equity by \$2.7 million.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date.

A further error was identified in the valuation of Land Under Roads subdivision dedication received for the year ended 30 June 2018. Correction of this error reduced 30 June 2018 capital grants and contributions, net operating result, total comprehensive income, Land Under Roads (within Infrastructure, Property, Plant and Equipment) and equity by \$0.2 million.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Changes to the opening Statement of Financial Position at 1 July 2017**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Land Under Roads (Post 1/7/08)	3,046	(2,741)	305
Infrastructure, property, plant and equipment	435,371	(2,741)	432,630
Total assets	481,636	(2,741)	478,895
Total liabilities	52,455	–	52,455
Retained Earnings (Accumulated Surplus)	311,227	(1,305)	309,922
Revaluation Reserves	117,954	(1,436)	116,518
Total equity	429,181	(2,741)	426,440

Adjustments to the comparative figures for the year ended 30 June 2018**Statement of Financial Position**

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Land Under Roads (Post 1/7/08)	3,227	(2,904)	323
Infrastructure, property, plant and equipment	452,425	(2,904)	449,521
Total assets	501,368	(2,904)	498,464
Total liabilities	51,927	–	51,927
Retained Earnings (Accumulated Surplus)	317,325	(1,468)	315,857
Revaluation Reserves	132,116	(1,436)	130,680
Total equity	449,441	(2,904)	446,537

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Income Statement**

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Grants and Contributions provided for capital purposes	5,251	(163)	5,088
Total income from continuing operations	42,089	(163)	41,926
Total expenses from continuing operations	36,430	–	36,430
Net operating result for the year	5,659	(163)	5,496

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Net operating result for the year	5,659	(163)	5,496
Total comprehensive income for the year	20,260	(163)	20,097

(c) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2018. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

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

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

Classification of financial assets

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

- measured at amortised cost
- fair value through profit or loss

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has not resulted in the earlier recognition of credit loss (bad debt provisions) as through an analysis of Council's doubtful debts, the historical trend of bad debts written off, and current debts greater than 90 days, Council has determined that any expected credit losses will be immaterial.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Transition adjustments**

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
Financial assets						
Trade and other receivables	Loans and receivables	Amortised cost	4,479	—	—	4,479
Cash and cash equivalents	Loans and receivables	Amortised cost	6,999	—	—	6,999
Term deposits	Held to maturity	Amortised cost	22,675	—	—	22,675
Managed Funds	FVTPL	FVTPL	4,709	—	—	4,709
Tcorp	FVTPL	FVTPL	1,811	—	—	1,811
NCD's, FRN's (with maturities > 3 months)	Held to maturity	FVTPL	4,269	—	—	4,269
NCD's, FRN's (with maturities > 3 months)	Held to maturity	Amortised cost	500	—	—	500
Total financial assets under AASB 9 at 1 July 2018			45,442	—	—	45,442
Financial liabilities						
Trade payables	Other financial liabilities	Other financial liabilities	3,224	—	—	3,224
Secured bank loans	Other financial liabilities	Other financial liabilities	44,562	—	—	44,562
Total financial liabilities under AASB 9 at 1 July 2018			47,786	—	—	47,786

Notes to the table above**Reclassification from 'held to maturity' to 'amortised cost'**

Term deposits and a Floating Rate Note (FRN) with Teachers Mutual Bank (\$500,000 maturing on 28/10/2019 which is a private placement FRN and is not held for the purpose of realising a capital gain) that would previously have been classified as 'held to maturity' are now classified at 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

Reclassification from 'held to maturity' to 'Fair Value Through Profit & Loss'

FRN's were classified as 'held to maturity' under AASB 139. Council is now reclassifying these FRN's (excluding the Teachers Mutual Bank FRN) as 'Fair Value Through Profit & Loss' as AASB 9 Paragraph B4.1.5 states that the classification of financial instruments is ultimately derived from the intention of holding the financial instruments. Along those lines Council's Investment Strategy clearly states that the realising of capital gains (trading the investments) is the primary reason for Council investing in our portfolio of FRN's (excluding the Teachers Mutual Bank FRN).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	6,742	6,999
Balance as per the Statement of Cash Flows		6,742	6,999

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

Net operating result from Income Statement	7,333	5,496
Adjust for non-cash items:		
Depreciation and amortisation	9,529	9,648
Net losses/(gains) on disposal of assets	1,675	2,612
Non-cash capital grants and contributions	(2,973)	(2,652)
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L	–	(128)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(419)	(372)
– Revaluation decrements / impairments of IPP&E direct to P&L	286	–
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)	123	188
Unwinding of discount rates on reinstatement provisions	5	10
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(348)	560
Increase/(decrease) in provision for impairment of receivables	(7)	(16)
Decrease/(increase) in inventories	11	(11)
Decrease/(increase) in other current assets	22	(34)
Increase/(decrease) in payables	(499)	147
Increase/(decrease) in accrued interest payable	(14)	27
Increase/(decrease) in other accrued expenses payable	(7)	30
Increase/(decrease) in other liabilities	113	72
Increase/(decrease) in provision for employee benefits	312	(380)
Increase/(decrease) in other provisions	(20)	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	15,122	15,197

(c) Non-cash investing and financing activities

Bushfire grants	682	60
Other dedications	2	–
Subdivisions	1,089	1,346
Other non-cash items – Found Assets	1,200	1,245
Total non-cash investing and financing activities	2,973	2,651

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
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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	66	1,398
Roads	2,120	1,700
Bridges	300	880
Water Infrastructure	470	–
Sewer Infrastructure	350	–
Total commitments	3,306	3,978

These expenditures are payable as follows:

Within the next year	1,806	3,808
Later than one year and not later than 5 years	1,500	170
Total payable	3,306	3,978

Sources for funding of capital commitments:

Future grants and contributions	2,159	3,185
Section 7.11 and 64 funds/reserves	327	–
Externally restricted reserves	820	–
Internally restricted reserves	–	793
Total sources of funding	3,306	3,978

Details of capital commitments

- Supply Roadbase - \$400,000
- Road Rehabilitation - \$220,000
- Bitumen Reseal - \$1,500,000
- Bridges as per Bridge Replacement Program - \$300,000
- Lighting - Coronation Park - \$66,000
- Water Infrastructure - \$470,000
- Sewer Infrastructure - \$350,000

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 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 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 248,193.67. The last valuation of the Scheme was performed by Mr. Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

The amount of additional contributions included in the total employer contribution advised above is \$147,000. Council's expected contribution to the plan for the next annual reporting period is \$240,422.20.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$263,000 as at 30 June 2019.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

2. Other liabilities

(i) Third party claims

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

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

(ii) Mixed Waste Landfill costs

The Council has a tripartite agreement with Coffs Harbour City Council (CHCC) and Bellingen Shire Council for its mixed (red bin) waste to be taken to CHCC's waste management facility for processing. Under an agreement between CHCC and the contractor, the mixed waste organic output (MWO) fraction of this waste is further processed into an organic soil conditioner. Through the tripartite agreement, the Council is required to pay its share of the costs of using the contractor.

However in October 2018, the NSW Environmental Protection Authority (the NSW EPA) revoked exemptions which allowed the MWO fraction to be applied to land as an organic soil conditioner and instead by default, required it to be disposed of in approved landfills.

As a result, and since November 2018, all mixed waste has been trucked to Tamworth to be landfilled, triggering a force majeure claim by the contractor with CHCC, the cost of which has been met by the NSW EPA as part of Phase 1 of a transition package. On 15 October 2019 the EPA announced future arrangements for the MWO of our waste stream. As from 28 February 2020, the EPA propose to terminate their compensatory funding and instead provide for contestable grants to allow the waste industry to transition away from MWO. However the value of the contestable grant program for the whole industry is only \$6.5m. Therefore as at 15 October 2019 it seems likely that Nambucca Shire Council will have to bear the estimated additional \$500,000 - \$600,000 per annum cost of landfilling the MWO.

(iii) Significant NSW Government Grants requiring Council Co-Contribution

Following the NSW State Government election in March 2019, the Council is awaiting funding deeds for a number of previously approved grants and election promises. These funding deeds will require a co-contribution from Council, with the most significant of the grants being:

- Grants for employment land in the Valla Growth Area being \$5 million from the Growing Local Economies Fund and \$3 million from the Department of Planning, Industry & Environment requiring, with a \$3.9 million co-contribution required by the Council
- a \$3 million grant for a sporting hub in Bowraville requiring a \$0.7 million co-contribution by the Council.

(iv) Draft Potable Water Treatment Standards Promulgated by NSW Health

The NSW Department of Health has proposed drinking water treatment standards which are health based. An options assessment report is currently being prepared which will provide a range of solutions (including a water filtration plant, UV Disinfection and Upgrading of Chlorination Dosing Systems) and costs.'

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

(iii) Hand over of existing Pacific Highway

Council is yet to finalise negotiations with the NSW Roads and Maritime in relation to the handover of assets to the Council associated with the completion of the upgrade of the Pacific Highway in the local government area. Assets associated with the northern section of the of the Pacific Highway upgrade (being from local identifier Boggy Creek to the Nambucca Shire Council / Bellingen Shire Council local government area boundary) have an estimated fair value of \$4.2 million, while the fair value of the assets associated with the southern section of the of the Pacific Highway upgrade (being from the Nambucca Heads interchange to the Nambucca Shire Council / Kempsey local government area boundary) have not yet been determined. It is anticipated the Old Pacific Highway (Giinagay Way) will be classified as either a Regional Road or State Road and therefore remain an asset of the NSW State Government.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	6,742	6,999	6,742	6,999
Receivables	4,834	4,479	4,834	4,479
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	21,349	27,444	21,349	27,444
Fair value through profit and loss				
Investments				
– 'Held for trading'	11,217	6,520	11,217	6,520
Total financial assets	44,142	45,442	44,142	45,442
Financial liabilities				
Payables	2,775	3,224	2,775	3,224
Loans/advances	42,214	44,562	52,309	51,785
Total financial liabilities	44,989	47,786	55,084	55,009

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 '**at fair value through profit and loss**' are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

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

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

The risks associated with the instruments held are:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	1,172	1,172	(1,172)	(1,172)
Possible impact of a 1% movement in interest rates	324	324	(324)	(324)
2018				
Possible impact of a 10% movement in market values	1,129	1,129	(1,129)	(1,129)
Possible impact of a 1% movement in interest rates	344	344	(344)	(344)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(b) Credit risk

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

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

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

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.

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	1,195	–	–	–	–	1,195
2018						
Gross carrying amount	1,166	–	59	–	–	1,225

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	2,525	1,053	4	27	64	3,673
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2018						
Gross carrying amount	3,143	51	9	1	91	3,295
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	634	2,141	–	–	2,775	2,775
Borrowings	5.87%	–	5,462	16,530	43,157	65,149	42,214
Total financial liabilities		634	7,603	16,530	43,157	67,924	44,989
2018							
Trade/other payables	0.00%	564	2,660	–	–	3,224	3,224
Borrowings	5.75%	–	5,689	17,715	46,392	69,796	44,562
Total financial liabilities		564	8,349	17,715	46,392	73,020	47,786

Loan agreement breaches

There are no breaches to loan agreements during the reporting year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 28/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	19,984	20,215	231	1% F
User charges and fees	6,787	6,628	(159)	(2)% U
Interest and investment revenue	1,173	1,487	314	27% F
Interest & Investment income is greater than budgeted due to the average rate of return on the investment portfolio increasing from 3.11% in 2017/18 to 3.56% in 2018/19.				
Other revenues	785	1,810	1,025	131% F
Council's review of Crown Land uncovered \$274,000 in assets not previously recorded in Council's Asset Register (found assets). Also there were other found assets for Stormwater Drainage of \$926,000 related to culverts on Taylors Arm Road.				
Operating grants and contributions	5,594	6,201	607	11% F
With regard to Operating Grants & Contributions, the Financial Assistance Grants budget was under estimated by \$331,000 to the original budget, plus there were also grants not included in the original budget of \$134,000 for environmental protection purposes, and \$52,000 for road safety purposes.				
Capital grants and contributions	5,107	7,340	2,233	44% F
For Capital Grants & Contributions there were additional grants for Lanes Bridge of \$1,079,000 to the original budget Also Council received \$1,773,000 in non-cash contributed assets that were not budgeted for i.e. Developer assets of \$1,091,000 and Rural Fire Service assets of \$682,000.				
Net gains from disposal of assets	1,021	–	(1,021)	100% U
Land sales at Council's Hyland Park development were less than anticipated and therefore real estate profit forecast in the budget did not eventuate in the 2018/19 year. This revenue has been incorporated in the 2019/20 budget. Losses on disposal of infrastructure assets (unbudgeted) offset any actual gains on disposal from property, plant and equipment, and real estate assets held for sale.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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EXPENSES

Employee benefits and on-costs	10,221	10,088	133	1% F
Borrowing costs	2,672	2,644	28	1% F
Materials and contracts	9,708	8,829	879	9% F
Depreciation and amortisation	9,672	9,529	143	1% F
Other expenses	2,996	3,297	(301)	(10)% U

The primary reasons for the variation in Other Expenses was that a number of items were shown in Materials & Contracts with the Original Budget. Also Waste Levies were \$158,000 greater than originally budgeted due to increased waste to landfill.

Net losses from disposal of assets	–	1,675	(1,675)	∞ U
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Losses on disposal of infrastructure assets are unbudgeted.

Revaluation decrement / impairment of IPP&E	–	286	(286)	∞ U
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Council does not budget for revaluation decrements.

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	14,094	15,122	1,028	7% F
Net cash provided from (used in) investing activities	(11,492)	(12,908)	(1,416)	12% U

The total proceeds from land for sale at Council's Hyland Park development forecast in the budget did not eventuate in the 2018/19 year. The unrealised proceeds have been incorporated in the 2019/20 budget.

Net cash provided from (used in) financing activities	(2,596)	(2,471)	125	(5)% F
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Nambucca Shire Council

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

Note 19. Fair value measurement

Nambucca Shire 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.

2019 Recurring fair value measurement	Date of last valuation	Note #	Fair value measurement hierarchy			Total (\$',000)
			Level 1 Quoted Prices in active Markets (\$',000)	Level 2 Significant observable inputs (\$',000)	Level 3 Significant unobservable inputs (\$',000)	
Financial assets						
Investment		6(b)				
Designated at Fair Value on initial recognition or held for trading (AASB9)			11,217	-	-	11,217
Total Financial Assets			11,217	-	-	11,217
Infrastructure, property, plant & equipment		9(a)				
Plant & Equip., Office Equip & Furniture & Fittings	-		-	-	6,103	6,103
Operational Land	30/6/18		-	7,811	-	7,811
Community Land	30/6/16		-	-	9,051	9,051
Crown Land	30/6/16		-	-	8,977	8,977
Land Under Roads *	31/3/19		-	-	41	41
Land Improvements – Depreciable	30/6/16		-	-	217	217
Buildings	30/6/18		-	-	28,639	28,639
Other Structures	30/6/16		-	-	6,129	6,129
Roads, Bridges Footpaths	30/6/15		-	-	125,912	125,912
Bulk Earthworks	30/6/15		-	-	45,710	45,710
Stormwater Drainage	30/6/15		-	-	31,034	31,034
Water Supply Network	30/6/17		-	-	87,687	87,687
Sewerage Network	30/6/17		-	-	76,757	76,757
Swimming Pools	30/6/16		-	-	1,023	1,023
Other Open Space/Recreational Assets	30/6/16		-	-	3,422	3,422
Other Infrastructure	30/6/16		-	-	17,638	17,638

Nambucca Shire Council

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

Note 19. Fair value measurement (continued)

2019 Recurring fair value measurement	Date of last valuation	Note #	Fair value measurement hierarchy			Total (\$',000)
			Level 1 Quoted Prices in active Markets (\$'000)	Level 2 Significant observable inputs (\$',000)	Level 3 Significant unobservable inputs (\$',000)	
Heritage Collections	-		-	-	81	81
Other	-		-	-	268	268
Tip Remediation	30/6/19		-	-	85	85
Total Infrastructure, Property, Plant & Equipment				7,811	448,774	456,585

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

2018						
Financial assets						
Investment		6(b)				
Designated at Fair Value on initial recognition or held for trading (AASB139)			11,289	-	-	11,289
Total Financial Assets			11,289	-	-	11,289
Infrastructure, property, plant & equipment		9(a)				
Plant & Equip., Office Equip & Furniture & Fittings	-		-	-	4,939	4,939
Operational Land	30/6/18		-	8,251	-	8,251
Community Land & Crown Land	30/6/16		-	-	17,635	17,635
Land Under Roads *	30/6/14		-	-	323	323
Land Improvements – Depreciable	30/6/16		-	-	220	220
Buildings	30/6/18		-	-	28,473	28,473
Other Structures	30/6/16		-	-	5,483	5,483
Roads, Bridges Footpaths	30/6/15		-	-	122,694	122,694
Bulk Earthworks	30/6/15		-	-	45,004	45,004
Stormwater Drainage	30/6/15		-	-	29,671	29,671
Water Supply Network	30/6/17		-	-	87,482	87,482
Sewerage Network	30/6/17		-	-	75,360	75,360
Swimming Pools	30/6/16		-	-	1,044	1,044
Other Open Space/Recreational Assets	30/6/16		-	-	3,384	3,384
Other Infrastructure	30/6/16		-	-	16,650	16,650
Heritage Collections	-		-	-	82	82
Other	-		-	-	273	273
Tip Remediation	30/6/17		-	-	99	99
Total Infrastructure, Property, Plant & Equipment			-	8,251	438,816	447,067

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

*See Note 13(b) for details regarding restatement as a result of Prior Period Errors

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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 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. 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 and Crown Land

Community Land and Crown Land are 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 2015/2016.

Buildings – Non Specialised and Specialised

Buildings were valued by APV Valuers in 2017/2018 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.

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.

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

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, asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value. Bulk earthworks are considered to have an indefinite useful life and are not depreciated.

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

Land under Roads (post 30/6/08)

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 1st July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment. Land under roads was previously valued in 2013/2014 using average unit value of properties adjoining the relevant road segments with no discount applied. The class has been revalued in 2018/2019 using the Englobo methodology. The Englobo methodology is one of 3 methods available to use in accordance with the fair valuation policy as per the Office of Local Government guidance for Infrastructure, property, plant and equipment valuations. A change in valuation techniques was required due to the Office of Local Government adding an additional dot point to OLG guidance Update 25 (June 2017) “the discounting factors applied to reflect the restrictions placed on land under roads (as opposed to the adjoining land which is not restricted)”. This asset class is classified as Level 3 as significant inputs used in the Englobo valuation methodology are unobservable.

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 2016/2017 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.

Sewerage Network

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

These were valued internally in 2016/2017 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 very long lived assets and there is some uncertainty regarding the actual design, specifications and dimensions of some assets.

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

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 guardrail, retaining walls plus auxiliary structures. All assets in this class were valued in-house by experienced engineering staff in 2015/2016.

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, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. As a result this class has been categorised as level 3 unobserved inputs.

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 material 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 2015/2016. The approach estimated the replacement cost for each component. Other unobserved inputs (level 3 inputs) that were considered include pattern of consumption, 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 material 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.

Library Books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

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 2019

Note 19. Fair value measurement (continued)

Tip Assets – (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 life-cycle 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 of expense, CPI and discount rules. Council engaged consultants to review the costs associated with undertaking rehabilitation works for the future landfill cells at the Nambucca Waste Management Facility in 2018/2019. This class was then revalued at 30/6/19. The best and highest use for the asset is unique to Nambucca Shire Council as the Licence holder.

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

	Note	2019 \$'000	2018 \$'000
Balance at 1 July opening balance		438,815	432,817
Prior Period Error – Land Under Roads		0	(2,741)
Restated Opening Balance		438,815	430,076
Total gains or losses for the year			
Recognised in profit or loss – realised	5	110	293
Recognised in profit or loss - unrealised	3 & 4	915	1,245
Recognised in other comprehensive income-Revaluation Surplus		2,588	14,602
Other movements			
Purchases	9a	15,717	11,375
Purchases – Work in Progress Transfer	9a	2,201	2,280
Disposals	9a	(2,139)	(3,195)
Depreciation	9a	(9,570)	(9,748)
Impairment	9a	0	138
Transfers to Level 2		0	(8,251)
Transfers to Intangible assets	9a	(214)	0
Transfers from Level 2 FV hierarchy		270	0
Transfers from Land Held for Sale		102	0
Tip Remediation Adjustment		(21)	0
Balance as at 30 June closing balance		448,774	438,815

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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 30/6/19 (\$'000)	VALUATION TECHNIQUE/S	UNOBSERVABLE INPUTS
P&E, Office Equipment & F&F	6,103	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life, and residual value
Community Land & Crown Land	18,028	Land Values obtained from NSW Valuer General	Land value, land area
Land Under Roads	41	Englobo Method	Unit rate for Land Value, discount rate of 90% applied.
Land Improvements – Depreciable	217	Cost approach	Current replacement cost of modern equivalent asset. Asset condition, Remaining lives
Buildings – Specialised & Non Specialised	28,639	Cost Approach	<p>Current replacement cost of modern equivalent asset using componentisation, asset condition, remaining lives, residual value</p> <p>Rates per m² varied from:</p> <p>Community Centres - \$1,459.86 to \$3,555.35</p> <p>Council Chambers - \$1,876.84</p> <p>Emergency Services - \$566.67 to \$4,477.61</p> <p>Engineering & Works - \$540.79 to \$1,986.11</p> <p>Fire Protection - \$648.86 to \$1,938.99</p> <p>Museums - \$470.27 to \$2,605</p> <p>Other Community Services - \$393.48 to \$1,536.84</p> <p>Other Cultural Services - \$513.43 to \$2,477.40</p> <p>Public Conveniences - \$1,293.32 to \$6,545.14</p> <p>Public Halls - \$385.60 to \$3,118.87</p> <p>Public Libraries - \$1,026.04 to \$2,869.07</p> <p>Sewerage Services - \$560 to \$2,366.09</p> <p>Sporting Grounds - \$620.54 to \$2,729.67</p> <p>Swimming Pools - \$1,451.61 to \$3,481.87</p> <p>Tourism - \$1,686.05</p> <p>Waste Management - \$533.45 to \$708.56</p> <p>Water Supplies - \$466.29 to \$4,265.63</p>
Other Structures	6,129	Cost Approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value
Roads	89,091	Cost Approach	<p>Asset condition, remaining lives using componentisation</p> <p>Unit rates per m² varied from \$4.50 to \$133.61</p>

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

CLASS	FAIR VALUE 30/6/19 (\$'000)	VALUATION TECHNIQUE/S	UNOBSERVABLE INPUTS
Bridges	29,813	Cost Approach	Asset condition, remaining lives using componentisation Unit rates per m ² varied from \$1,589.73 to \$3,034.56
Footpaths	7,008	Cost Approach	Asset condition, remaining lives using componentisation Unit rates per m ² varied from \$46.17 to \$169.00
Bulk Earthworks	45,710	Cost Approach	Asset condition, remaining lives using componentisation Unit rates per m ² varied from \$6.84 to \$9.36
Stormwater Drainage	31,034	Council and contractor construction rates	Asset Condition, remaining lives
Water Supply Network	87,687	Industry Cost Indexes, Council and contractor construction rates	Asset condition, remaining lives using componentisation Unit rates varied from: Reticulation - \$44.38 to \$1,747.42/m Mains - \$213.98 to \$9,500.84/m
Sewerage Network	76,757	Industry Cost Indexes, Council and contractor construction rates	Asset condition, remaining lives using componentisation Unit rates varied from: Gravity Mains - \$281.03 to \$933.90/m Pressure Mains - \$61.51 to \$650.6/m
Swimming Pools	1,023	Industry Cost Indexes, Council and contractor construction rates	Asset condition, remaining lives
Other Open Space/Recreational Assets	3,422	Cost Approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value
Other Infrastructure	17,638	Council and contractor construction rates	Asset condition and remaining lives using componentisation
Heritage Collections	81	Cost Approach used to approximate fair value	Current replacement cost of modern equivalent asset, asset condition, pattern of consumption effecting the remaining useful life
Library Books	263	Cost Approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives residual value
Other	5	Cost Approach	Current replacement cost of modern equivalent asset, asset condition, pattern of consumption effecting the remaining useful life
Tip Remediation	85	Cost Approach	Environmental legislation, timing of expected cash outflows, asset condition

Nambucca Shire Council

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

Note 19. Fair value measurement (continued)

Transfers from Level 2 to Level 3

Asset/Liability	\$',000
Operational Land to Crown Land	270

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	730	647
Post-employment benefits	87	69
Termination benefits	—	9
Total	817	725

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2019						
Employee expenses relating to close family members of KMP	1	—	—	Nil	—	—
2018						
Employee expenses relating to close family members of KMP	1	24	—	Council Staff Award	—	—

1 In 2017/18 there was one close family member of Council's KMP was employed by Council under the relevant pay award on an arms length basis. This KMP was no longer employed by Council in 2018/19. Also in 2018/19 other transactions with KMP's and their related parties existed but were determined to be a low dollar value and therefore insignificant in size.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
Open space	447	112	–	8	(439)	–	128	–
Surf club equipment	22	6	–	–	(18)	–	10	–
Section 7.11 planner	(65)	14	–	–	–	–	(51)	–
S7.11 contributions – under a plan	404	132	–	8	(457)	–	87	–
S7.12 levies – under a plan	719	229	–	16	(496)	–	468	–
Total S7.11 and S7.12 revenue under plans	1,123	361	–	24	(953)	–	555	–
S64 contributions	5,993	1,192	–	166	(867)	–	6,484	–
Total contributions	7,116	1,553	–	190	(1,820)	–	7,039	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions (continued)

	as at 30/6/2018		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000									
S7.11 Contributions – under a plan									
CONTRIBUTION PLAN – Public Recreation									
Open space	447		112	–	8	(439)	–	128	–
Total	447		112	–	8	(439)	–	128	–
CONTRIBUTION PLAN – Surf Club Equipment									
Surf club equipment	22		6	–	–	(18)	–	10	–
Total	22		6	–	–	(18)	–	10	–
CONTRIBUTION PLAN NUMBER Section 7.11									
Section 7.11 planner	(65)		14	–	–	–	–	(51)	–
Total	(65)		14	–	–	–	–	(51)	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN – STREETSCAPE									
Streetscape	719		229	–	16	(496)	–	468	–
Total	719		229	–	16	(496)	–	468	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	15,551	979	3,685
User charges and fees	2,033	3,734	861
Interest and investment revenue	740	533	214
Other revenues	1,225	282	303
Grants and contributions provided for operating purposes	6,045	82	74
Grants and contributions provided for capital purposes	5,237	724	1,379
Total income from continuing operations	30,831	6,334	6,516
Expenses from continuing operations			
Employee benefits and on-costs	7,037	1,412	1,639
Borrowing costs	1,016	1,460	168
Materials and contracts	6,347	1,038	1,444
Depreciation and amortisation	5,984	1,699	1,846
Other expenses	3,297	–	–
Net losses from the disposal of assets	1,472	120	83
Revaluation decrement /impairment of IPPE	286	–	–
Total expenses from continuing operations	25,439	5,729	5,180
Operating result from continuing operations	5,392	605	1,336
Net operating result for the year	5,392	605	1,336
Net operating result attributable to each council fund	5,392	605	1,336
Net operating result for the year before grants and contributions provided for capital purposes	155	(119)	(43)

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	1,125	2,113	3,504
Investments	9,754	6,770	1,863
Receivables	2,620	1,355	504
Inventories	1,918	30	–
Other	95	–	–
Total current assets	15,512	10,268	5,871
Non-current assets			
Investments	1,802	10,975	1,402
Receivables	85	–	270
Inventories	1,444	–	–
Infrastructure, property, plant and equipment	281,149	94,094	82,570
Intangible assets	206	279	–
Total non-current assets	284,686	105,348	84,242
TOTAL ASSETS	300,198	115,616	90,113
LIABILITIES			
Current liabilities			
Payables	2,221	111	45
Income received in advance	457	–	–
Borrowings	1,318	426	1,341
Provisions	3,619	–	–
Total current liabilities	7,615	537	1,386
Non-current liabilities			
Payables	398	–	–
Borrowings	14,585	22,096	2,448
Provisions	404	–	–
Total non-current liabilities	15,387	22,096	2,448
TOTAL LIABILITIES	23,002	22,633	3,834
Net assets	277,196	92,983	86,279
EQUITY			
Accumulated surplus	201,025	63,745	58,607
Revaluation reserves	76,171	29,238	27,672
Council equity interest	277,196	92,983	86,279
Total equity	277,196	92,983	86,279

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

Details of individual internal loans	Council ID / Ref
Borrower (by purpose)	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
Principal outstanding at end of year	306

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	Prior periods 2017	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	1,535	4.27%	6.93%	17.76%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	35,922				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	29,236	67.58%	70.00%	68.15%	>60.00%
Total continuing operating revenue ¹	43,262				
3. Unrestricted current ratio					
Current assets less all external restrictions	13,033	2.41x	2.62x	3.11x	>1.50x
Current liabilities less specific purpose liabilities	5,416				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	13,708	2.36x	2.53x	3.37x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,815				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,289	6.08%	6.41%	5.11%	<10.00%
Rates, annual and extra charges collectible	21,192				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	27,591	10.72 mths	11.96 mths	10.90 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	2,573				

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	5.93%	9.39%	0.02%	2.92%	0.78%	(0.85)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding all grants and contributions ¹	61.31%	63.85%	87.28%	83.77%	77.70%	84.14%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.41x	2.62x	18.45x	19.90x	3.90x	3.27x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3.69x	4.54x	1.57x	1.53x	1.27x	1.01x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	6.43%	6.77%	4.87%	5.10%	4.86%	5.16%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.05	13.47	5.86	11.84	9.00	5.59	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Council information and contact details

44 Princess Street
MACKSVILLE NSW 2447

Contact details

PO Box 177
MACKSVILLE NSW 2447

Telephone: 02 6568 2555
Facsimile: 02 6568 2201

Monday to Friday - 8.30 am to 4.00 pm

Internet: www.nambucca.nsw.gov.au
Email: council@nambucca.nsw.gov.au

Officers

General Manager
Michael Coulter

Chief Financial Officer
Matthew Sykes

Public Officer
Robert Hunt

Auditors

Audit Office of New South Wales
Level 15, 1 Margaret Street
SYDNEY NSW 2000
- Thomas Noble & Russell
31 Keen Street
LISMORE NSW 2480

Elected members

Mayor
Rhonda Hoban

Councillor
John Ainsworth
Martin Ballangarry
Susan Jenvey
David Jones
Janine Reed
Anne Symth
John Wilson

Other information

ABN: 71 323 535 981



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Nambucca Shire Council

To the Councillors of the Nambucca Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

My opinion does not provide assurance:

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



Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

21 October 2019
SYDNEY



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

Contact: Gearoid Fitzgerald
Phone no: 9275 7392
Our ref: D1925008/1766

21 October 2019

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	20.2	20.0	↑ 1.0
Grants and contributions revenue	13.5	11.9	↑ 13.4
Operating result for the year	7.3	5.5	↑ 32.7
Net operating result before capital grants and contributions	0	0.4	↓ 100

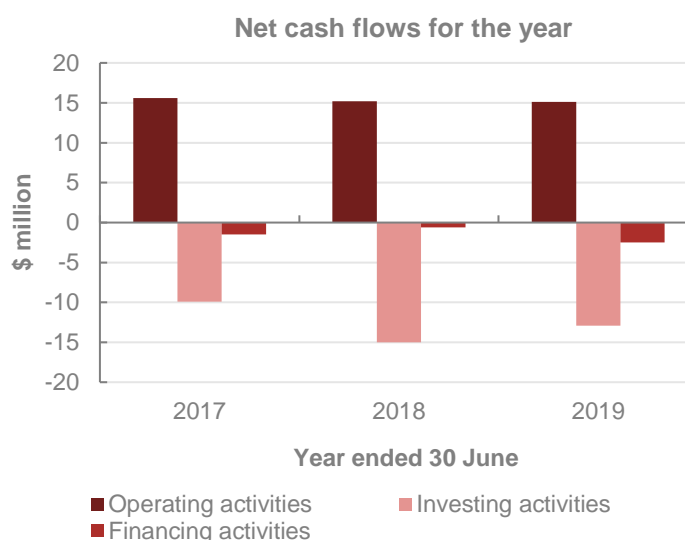
Council's operating result (\$7.3 million including the effect of depreciation and amortisation expense of \$9.5 million) was \$1.8 million higher than the 2017–18 result.

This increase is largely attributable to the following:

- Decrease in 'Grants and contributions provided for operating purposes' of \$0.7 million due largely to a \$0.5 million reduction in roads to recovery funding.
- Increase in 'Grants and contributions provided for capital purposes' of \$2.3 million. This revenue fluctuates from year to year dependent on the level of development activity and Council's success in securing grants for capital projects.
- Increase in 'Employee benefits and on-costs' of \$0.6 million.
- Decrease in 'Net losses from the disposal of assets' of \$0.9 million.

STATEMENT OF CASH FLOWS

- Cash flows from operating activities have been positive and remained stable over the past three years.
- Although the purchase of infrastructure, property, plant & equipment increased on prior year, cash flows used in investing activities decreased due to a reduction in the net purchase of investments.
- Cash flows used in financing activities increased on prior years, due to a reduction in new borrowings, whilst repayments on existing borrowings remained constant.



FINANCIAL POSITION

Cash and investments

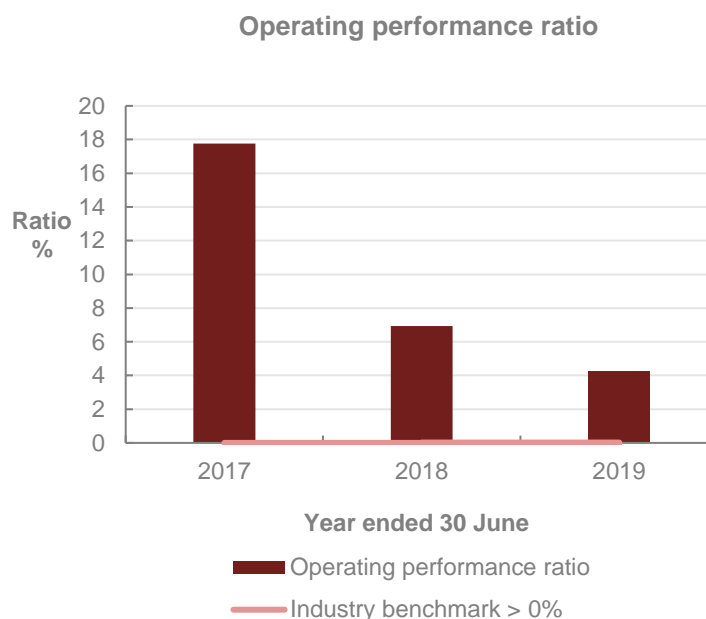
Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	31.0	29.2	<ul style="list-style-type: none"> Externally and internally restricted cash and investments have remained fairly consistent with the prior year. The decrease in unrestricted cash and investments is attributable to budget variations adopted throughout the financial year funded through working funds, including the correction of a \$1 million negative reserve in the prior year relating to the land development reserve.
Internal restrictions	7.5	7.1	
Unrestricted	0.9	4.7	
Cash and investments	39.4	41.0	

PERFORMANCE

Operating performance ratio

Council's 'operating performance ratio' continues to exceed the industry benchmark. The ratio for 2018–19 reduced due to a decrease in Council's result before capital grants and contributions.

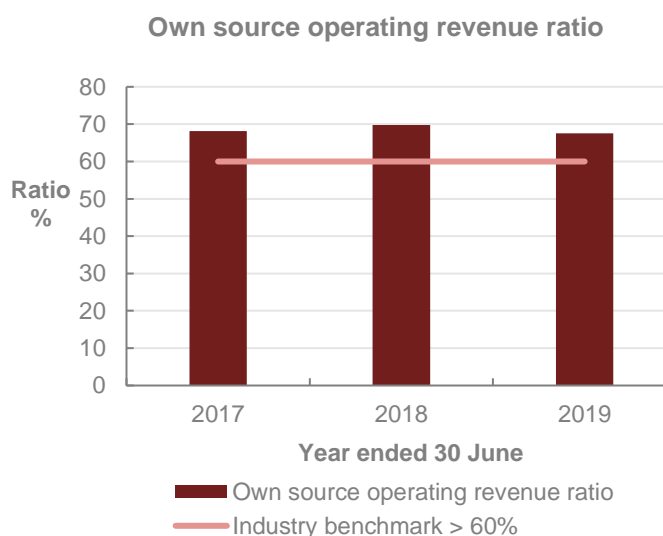
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

Council continues to exceed the benchmark for 'own source operating revenue ratio' demonstrating it is not overly reliant on external funding sources.

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

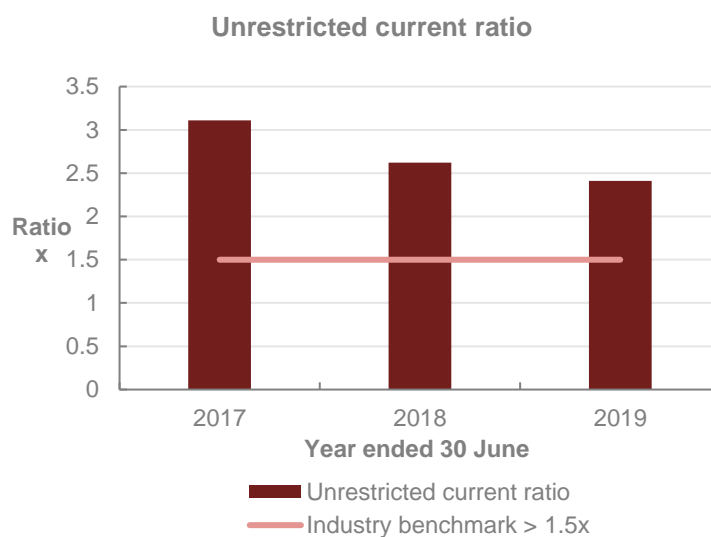


Unrestricted current ratio

Council's 'unrestricted current ratio' exceeds the industry benchmark, however has declined over the last two years. The reduction from the prior year is due to a decrease in unrestricted current assets.

Council has \$2.41 in liquid current assets for every \$1 of current liabilities.

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



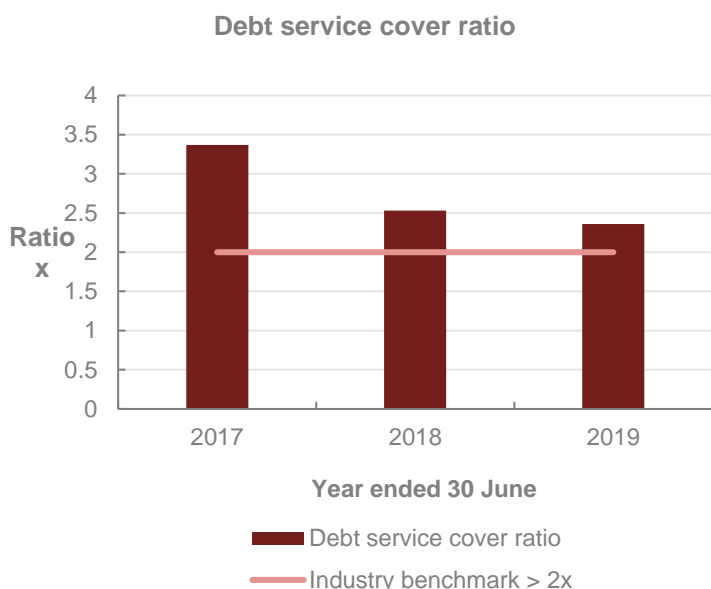
Debt service cover ratio

While Council's 'debt service cover ratio' remains above the industry benchmark, it has declined from the prior year due to a decrease in Council's result before capital grants and contributions.

Further, the ratios for the water and sewer funds both remain below the industry benchmark, though have improved on the prior year.

Council should continue to monitor its ratios to ensure cash flows over the short to medium term are sufficient to meet the debt repayment obligations in the water and sewer funds.

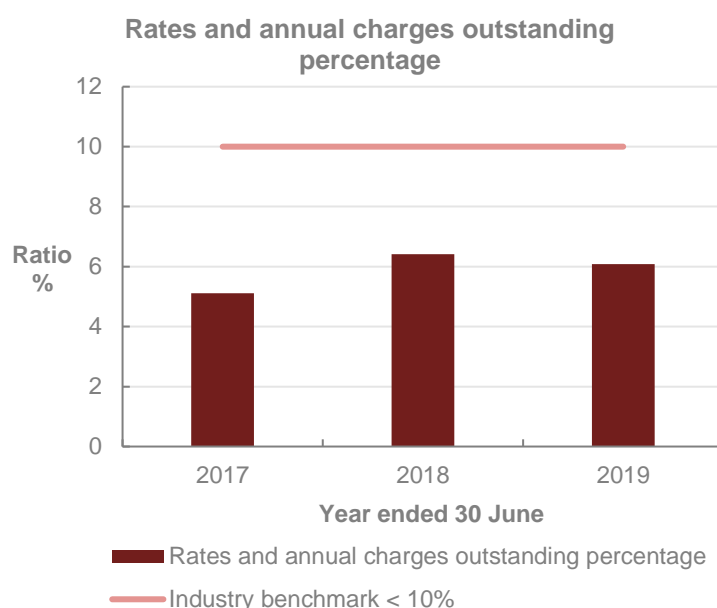
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

Council's 'rates and annual charges outstanding ratio' continues to be below the industry benchmark and reflects Council's ongoing debt recovery activity.

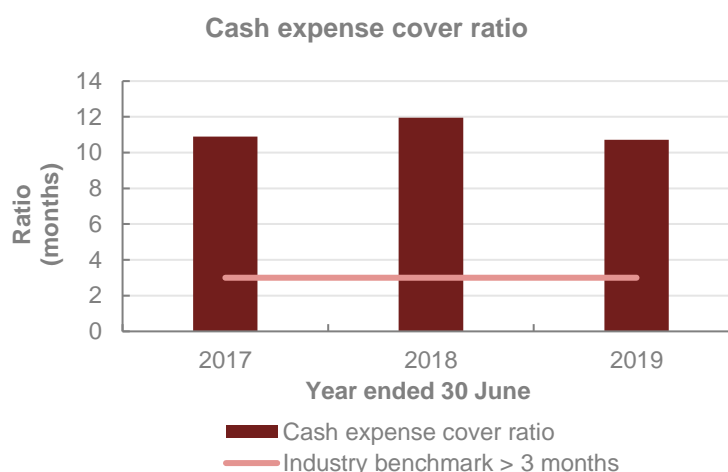
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council continues to maintain its 'cash expense cover ratio' well above the industry benchmark.

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



Infrastructure renewals

Council's infrastructure renewal expenditure in the 2018–19 year was \$7.1 million compared to \$7.9 million in the 2017–18 financial year.

For the past three years, infrastructure renewal expenditure has been below the rate at which these assets are depreciating.

OTHER MATTERS

New accounting standards implemented

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

Prior period error

Council revalued its land under roads as at 31 March 2019. In completing this revaluation, it was identified that previously available discounting factors had not been applied to values to reflect the restrictions placed on land under roads. Council's disclosure of the impact of correcting this prior period error is disclosed in Note 13(b).

Legislative compliance

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

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

The Council's:

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



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

cc: Michael Coulter, General Manager
Peter Lawry, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Nambucca Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Nambucca Valley ~ Living at its best



Special Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Note 1 – Significant Accounting Policies	8
Auditor's Report on Special Purpose Financial Statements	11

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 2019

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

Signed in accordance with a resolution of Council made on 17 October 2019.



Rhonda Hoban
Mayor
17 October 2019



John Ainsworth
Councillor
17 October 2019



Michael Coulter
General Manager
17 October 2019



Matthew Sykes
Chief Financial Officer
17 October 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	979	974
User charges	3,734	3,839
Interest	540	411
Grants and contributions provided for non-capital purposes	82	81
Other income	275	422
Total income from continuing operations	5,610	5,727
Expenses from continuing operations		
Employee benefits and on-costs	1,412	1,415
Borrowing costs	1,460	1,489
Materials and contracts	1,038	981
Depreciation, amortisation and impairment	1,699	1,675
Loss on sale of assets	120	146
Calculated taxation equivalents	16	15
Debt guarantee fee (if applicable)	225	458
Total expenses from continuing operations	5,970	6,179
Surplus (deficit) from continuing operations before capital amounts	(360)	(452)
Grants and contributions provided for capital purposes	724	1,013
Surplus (deficit) from continuing operations after capital amounts	364	561
Surplus (deficit) from all operations before tax	364	561
SURPLUS (DEFICIT) AFTER TAX	364	561
Plus accumulated surplus	63,156	62,137
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	16	15
– Debt guarantee fees	225	458
Less:		
– Tax equivalent dividend paid	(16)	(15)
Closing accumulated surplus	63,745	63,156
Return on capital %	1.2%	1.1%
Subsidy from Council	142	1,429
Calculation of dividend payable:		
Surplus (deficit) after tax	364	561
Less: capital grants and contributions (excluding developer contributions)	(141)	(711)
Surplus for dividend calculation purposes	223	–
Potential dividend calculated from surplus	112	–

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	3,685	3,664
User charges	831	770
Liquid trade waste charges	30	28
Interest	214	183
Grants and contributions provided for non-capital purposes	74	74
Other income	303	364
Total income from continuing operations	5,137	5,083
Expenses from continuing operations		
Employee benefits and on-costs	1,639	1,569
Borrowing costs	168	187
Materials and contracts	1,444	1,602
Depreciation, amortisation and impairment	1,846	1,768
Loss on sale of assets	83	153
Calculated taxation equivalents	20	21
Debt guarantee fee (if applicable)	38	105
Total expenses from continuing operations	5,238	5,405
Surplus (deficit) from continuing operations before capital amounts	(101)	(322)
Grants and contributions provided for capital purposes	1,379	870
Surplus (deficit) from continuing operations after capital amounts	1,278	548
Surplus (deficit) from all operations before tax	1,278	548
SURPLUS (DEFICIT) AFTER TAX	1,278	548
Plus accumulated surplus	57,401	56,748
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	20	21
– Debt guarantee fees	38	105
Less:		
– Tax equivalent dividend paid	(20)	(21)
– Surplus dividend paid	(110)	–
Closing accumulated surplus	58,607	57,401
Return on capital %	0.1%	(0.2)%
Subsidy from Council	1,023	2,271
Calculation of dividend payable:		
Surplus (deficit) after tax	1,278	548
Less: capital grants and contributions (excluding developer contributions)	(770)	(328)
Surplus for dividend calculation purposes	508	220
Potential dividend calculated from surplus	254	110

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	2,113	4,177
Investments	6,770	5,011
Receivables	1,355	1,243
Inventories	30	33
Total current assets	10,268	10,464
Non-current assets		
Investments	10,975	9,536
Infrastructure, property, plant and equipment	94,094	93,779
Intangible assets	279	279
Total non-current assets	105,348	103,594
TOTAL ASSETS	115,616	114,058
LIABILITIES		
Current liabilities		
Payables	111	116
Borrowings	426	400
Total current liabilities	537	516
Non-current liabilities		
Borrowings	22,096	22,521
Total non-current liabilities	22,096	22,521
TOTAL LIABILITIES	22,633	23,037
NET ASSETS	92,983	91,021
EQUITY		
Accumulated surplus	63,745	63,156
Revaluation reserves	29,238	27,865
TOTAL EQUITY	92,983	91,021

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	3,504	2,267
Investments	1,863	2,719
Receivables	504	451
Total current assets	5,871	5,437
Non-current assets		
Investments	1,402	2,046
Receivables	270	305
Infrastructure, property, plant and equipment	82,570	81,210
Total non-current assets	84,242	83,561
TOTAL ASSETS	90,113	88,998
LIABILITIES		
Current liabilities		
Payables	45	46
Borrowings	1,341	1,404
Total current liabilities	1,386	1,450
Non-current liabilities		
Borrowings	2,448	3,666
Total non-current liabilities	2,448	3,666
TOTAL LIABILITIES	3,834	5,116
NET ASSETS	86,279	83,882
EQUITY		
Accumulated surplus	58,607	57,401
Revaluation reserves	27,672	26,481
TOTAL EQUITY	86,279	83,882

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

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water Supplies

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

b. Sewerage Services

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

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

Note 1. Significant Accounting Policies (continued)

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars.

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

In accordance with the 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.

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

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

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

Local government rates and charges

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

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

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

In accordance with the 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.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Nambucca Shire Council

To the Councillors of the Nambucca Shire Council

Opinion

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

The declared business activities of the Council are:

- Water Supplies
- Sewerage Services.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

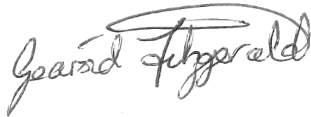
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, reading "Gearoid Fitzgerald". The signature is written in a cursive style with a large, sweeping initial 'G'.

Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

21 October 2019
SYDNEY

Nambucca Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

Nambucca Valley ~ Living at its best



Special Schedules
for the year ended 30 June 2019

Contents	Page
Special Schedules	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	7

Permissible income for general rates

for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	10,933	10,621
Plus or minus adjustments ²	b	34	58
Notional general income	$c = a + b$	10,967	10,679
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	296	246
Sub-total	$k = (c + g + h + i + j)$	11,263	10,925
Plus (or minus) last year's carry forward total	l	3	37
Less valuation objections claimed in the previous year	m	—	(2)
Sub-total	$n = (l + m)$	3	35
Total permissible income	$o = k + n$	11,266	10,960
Less notional general income yield	p	11,258	10,933
Catch-up or (excess) result	$q = o - p$	8	27
Less unused catch-up ⁵	s	(3)	(24)
Carry forward to next year ⁶	$t = q + r + s$	5	3

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.
- (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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Nambucca Shire Council

To the Councillors of Nambucca Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

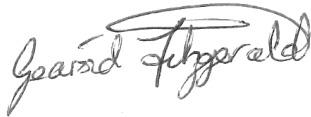
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. 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, reading "Gearoid Fitzgerald". The signature is written in a cursive style with a large, sweeping initial 'G'.

Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

21 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

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	2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Council Office/Admin Centre	180	180	27	27	2,081	3,566	1.0%	63.0%	36.0%	0.0%	0.0%
	Council Works Depot	—	—	5	5	1,403	1,751	8.0%	44.0%	48.0%	0.0%	0.0%
	Council Public Halls	28	28	42	42	6,970	11,119	14.0%	37.0%	48.0%	1.0%	0.0%
	Libraries	—	—	39	39	1,455	1,853	20.0%	80.0%	0.0%	0.0%	0.0%
	Museum	—	—	5	5	501	690	31.0%	27.0%	42.0%	0.0%	0.0%
	Other – Buildings	—	—	25	22	2,719	3,169	32.0%	49.0%	19.0%	0.0%	0.0%
	Other – Bush Fire/SES Bldgs.	—	—	29	29	2,630	3,465	37.0%	31.0%	32.0%	0.0%	0.0%
	Other – Swimming Pool Bldgs.	—	—	1	1	2,227	2,679	93.0%	6.0%	1.0%	0.0%	0.0%
	Other – Child Care Centres	—	—	3	3	690	857	49.0%	51.0%	0.0%	0.0%	0.0%
	Amenities/Toilets	—	—	14	14	2,377	2,995	29.0%	48.0%	23.0%	0.0%	0.0%
	Other -Sports Grounds	—	—	15	15	5,586	8,090	24.0%	44.0%	32.0%	0.0%	0.0%
Sub-total	208	208	205	202	28,639	40,234	25.7%	42.3%	31.7%	0.3%	0.0%	
Other structures	Other	176	176	—	—	6,129	14,040	19.0%	28.0%	48.0%	5.0%	0.0%
	Sub-total	176	176	—	—	6,129	14,040	19.0%	28.0%	48.0%	5.0%	0.0%
Roads	Roads – Sealed	71	71	855	855	8,401	14,158	15.0%	32.0%	51.0%	2.0%	0.0%
	Unsealed roads	—	—	750	1,027	3,999	8,019	39.0%	33.0%	28.0%	0.0%	0.0%
	Roads – Pavement	249	249	50	50	64,938	99,403	13.0%	39.0%	47.0%	1.0%	0.0%
	Kerb & Gutter	—	—	60	60	10,410	18,106	69.0%	24.0%	7.0%	0.0%	0.0%
	Footpaths	—	—	51	51	7,008	9,481	14.0%	65.0%	21.0%	0.0%	0.0%
	Carparks	5	5	—	—	1,343	1,844	15.0%	81.0%	3.0%	1.0%	0.0%
	Bulk earthworks	—	—	—	—	45,710	45,710	100.0%	0.0%	0.0%	0.0%	0.0%
	Bridges – Concrete	—	—	—	—	15,818	21,752	20.0%	77.0%	3.0%	0.0%	0.0%
	Bridges – Timber	220	220	100	94	1,950	5,171	0.0%	56.0%	27.0%	17.0%	0.0%
	Bridges – Composite	40	40	120	—	12,045	15,914	20.0%	72.0%	7.0%	1.0%	0.0%
Sub-total	585	585	1,986	2,137	171,622	239,558	35.7%	37.2%	26.2%	1.0%	(0.1%)	

Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Water supply network	Reticulation	2,050	2,050	367	367	17,281	32,797	4.0%	32.0%	39.0%	25.0%	0.0%
	Trunk Mains	3,202	3,202	36	36	17,510	34,621	15.0%	20.0%	28.0%	37.0%	0.0%
	Mains/Meters	—	—	17	17	121	200	0.0%	0.0%	100.0%	0.0%	0.0%
	Reservoirs	66	66	85	72	8,302	13,185	6.0%	50.0%	42.0%	2.0%	0.0%
	Water Treatment Plant	28	28	315	267	1,248	1,863	33.0%	20.0%	41.0%	6.0%	0.0%
	Bores	158	158	32	48	1,789	2,639	22.0%	46.0%	8.0%	24.0%	0.0%
	Dams	—	—	174	174	39,591	41,209	97.0%	3.0%	0.0%	0.0%	0.0%
	Pump stations	176	176	26	26	1,845	3,067	18.0%	50.0%	9.0%	23.0%	0.0%
	Sub-total	5,680	5,680	1,052	1,007	87,687	129,581	37.8%	21.9%	22.7%	17.5%	0.1%
Sewerage network	Sewerage rising (Pipelines)	149	149	9	9	6,716	9,910	10.0%	65.0%	19.0%	6.0%	0.0%
	Gravity/Rising Mains	4,963	4,963	239	228	29,769	47,262	13.0%	21.0%	24.0%	42.0%	0.0%
	Pump Stations	504	504	337	357	13,134	18,325	26.0%	37.0%	26.0%	11.0%	0.0%
	Treatment Works	142	142	819	819	20,799	28,449	38.0%	34.0%	26.0%	2.0%	0.0%
	Other – Manholes	1,550	1,550	18	18	6,339	12,157	3.0%	19.0%	27.0%	51.0%	0.0%
	Sub-total	7,308	7,308	1,422	1,431	76,757	116,103	19.9%	30.3%	24.7%	25.2%	(0.1%)
Stormwater drainage	Aerated Systems - S/W	—	—	—	—	66	67	100.0%	0.0%	0.0%	0.0%	0.0%
	Stormwater Conduits	—	—	12	12	17,801	25,766	11.0%	58.0%	31.0%	0.0%	0.0%
	Inlets & Junction Pits	—	—	—	—	4,210	5,959	13.0%	55.0%	32.0%	0.0%	0.0%
	Culverts	288	288	24	24	8,788	14,387	8.0%	30.0%	54.0%	8.0%	0.0%
	Other – Detention Basin	—	—	—	—	169	172	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	288	288	36	36	31,034	46,351	10.8%	48.6%	38.1%	2.5%	0.0%
Open space / recreational assets	Swimming pools	—	—	10	10	1,023	2,273	27.0%	55.0%	18.0%	0.0%	0.0%
	Other – Open Space	71	71	126	126	3,422	5,711	27.0%	22.0%	46.0%	5.0%	0.0%
	Sub-total	71	71	136	136	4,445	7,984	27.0%	31.4%	38.0%	3.6%	0.0%

Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Other infrastructure assets	Retaining Walls, Landslips	138	138	—	—	12,752	13,797	71.0%	15.0%	10.0%	4.0%	0.0%
	Boat Ramps / Jetties, Boardwalks	101	101	15	15	2,347	3,672	6.0%	54.0%	29.0%	11.0%	0.0%
	Other	—	—	—	—	2,539	3,245	0.0%	100.0%	0.0%	0.0%	0.0%
	Sub-total	239	239	15	15	17,638	20,714	48.4%	35.2%	11.8%	4.6%	0.0%
TOTAL - ALL ASSETS		14,555	14,555	4,852	4,964	423,951	614,565	30.6%	33.5%	26.6%	9.4%	(0.1%)

(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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	7,111	81.96%	91.73%	62.62%	>=100.00%
Depreciation, amortisation and impairment	8,676				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	14,555	3.43%	2.61%	3.95%	<2.00%
Net carrying amount of infrastructure assets	423,951				
Asset maintenance ratio					
Actual asset maintenance	4,964	102.31%	100.00%	97.91%	>100.00%
Required asset maintenance	4,852				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	14,555	2.37%	1.82%	2.41%	
Gross replacement cost	614,565				

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

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²	128.39%	110.51%	29.08%	56.44%	26.07%	63.29%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	0.60%	1.05%	6.48%	5.93%	9.52%	4.00%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	106.22%	100.00%	95.72%	100.00%	100.63%	100.00%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.42%	0.74%	4.38%	4.08%	6.29%	2.68%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

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