

Cabonne Council

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2019

“Cabonne Council is committed to providing sustainable local government to our rural communities through consultation and sound financial management which will ensure equitable resource allocation.”



Cabonne Council

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2019

“Cabonne Council is committed to providing sustainable local government to our rural communities through consultation and sound financial management which will ensure equitable resource allocation.”



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

99 - 101 Bank Street
Molong NSW 2866

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.cabonne.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.

Cabonne Council

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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


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



Kevin Beatty
Mayor
27 August 2019



Anthony Durkin
Councillor
27 August 2019



Bradley Byrnes
General Manager
27 August 2019



Luke Taberner
Responsible Accounting Officer
27 August 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
13,973	Rates and annual charges	3a	14,282	13,809
8,713	User charges and fees	3b	7,329	8,666
1,128	Interest and investment revenue	3c	1,220	1,154
555	Other revenues	3d	426	593
7,598	Grants and contributions provided for operating purposes	3e,3f	8,680	11,198
17,913	Grants and contributions provided for capital purposes	3e,3f	14,915	6,588
<u>Other income:</u>				
300	Net gains from the disposal of assets	5	242	478
–	Net share of interests in joint ventures and associates using the equity method	15	357	179
50,180	Total income from continuing operations		47,451	42,665
Expenses from continuing operations				
11,896	Employee benefits and on-costs	4a	11,475	11,398
133	Borrowing costs	4b	135	142
7,624	Materials and contracts	4c	5,319	7,035
10,603	Depreciation and amortisation	4d	10,973	10,646
4,918	Other expenses	4e	5,043	4,717
35,174	Total expenses from continuing operations		32,945	33,938
15,006	Operating result from continuing operations		14,506	8,727
15,006	Net operating result for the year		14,506	8,727
15,006	Net operating result attributable to council		14,506	8,727
(2,907)	Net operating result for the year before grants and contributions provided for capital purposes		(409)	2,139

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		14,506	8,727
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	852	(786)
Other comprehensive income – joint ventures and associates		191	3,710
Total items which will not be reclassified subsequently to the operating result		1,043	2,924
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain (loss) on initial application of accounting standard for the equity instruments at fair value through other comprehensive income		161	–
Other movements		–	48
Total items which will be reclassified subsequently to the operating result when specific conditions are met		161	48
Total other comprehensive income for the year		1,204	2,972
Total comprehensive income for the year		15,710	11,699
Total comprehensive income attributable to Council		15,710	11,699

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	8,306	5,804
Investments	6(b)	38,500	39,500
Receivables	7	5,632	7,280
Inventories	8a	973	936
Other	8b	104	123
Total current assets		53,515	53,643
Non-current assets			
Investments	6(b)	161	–
Receivables	7	1,297	1,359
Inventories	8a	41	41
Infrastructure, property, plant and equipment	9	568,273	556,981
Intangible assets	10	99	139
Investments accounted for using the equity method	15	24,761	24,213
Other	8b	282	282
Total non-current assets		594,914	583,015
TOTAL ASSETS		648,429	636,658
LIABILITIES			
Current liabilities			
Payables	11	3,480	6,930
Income received in advance	11	297	291
Borrowings	11	219	207
Provisions	12	3,655	3,950
Total current liabilities		7,651	11,378
Non-current liabilities			
Payables	11	58	55
Borrowings	11	1,686	1,906
Provisions	12	1,631	1,626
Total non-current liabilities		3,375	3,587
TOTAL LIABILITIES		11,026	14,965
Net assets		637,403	621,693
EQUITY			
Accumulated surplus	13a	368,292	353,595
Revaluation reserves	13a	268,950	268,098
Other reserves	13a	161	–
Council equity interest		637,403	621,693
Total equity		637,403	621,693

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

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

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019				2018 ¹			
		Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity	Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity
Opening balance		353,595	268,098	–	621,693	341,158	268,836	–	609,994
Restated opening balance		353,595	268,098	–	621,693	341,158	268,836	–	609,994
Net operating result for the year		14,506	–	–	14,506	8,727	–	–	8,727
Restated net operating result for the period		14,506	–	–	14,506	8,727	–	–	8,727
Other comprehensive income									
– Gain (loss) on revaluation of IPP&E	9	–	852	–	852	–	(786)	–	(786)
– Adoption of new accounting standard - not retrospective		–	–	161	161	–	–	–	–
– Joint ventures and associates		191	–	–	191	3,710	–	–	3,710
– Other movements		–	–	–	–	–	48	–	48
Other comprehensive income		191	852	161	1,204	3,710	(738)	–	2,972
Total comprehensive income		14,697	852	161	15,710	12,437	(738)	–	11,699
Equity – balance at end of the reporting period		368,292	268,950	161	637,403	353,595	268,098	–	621,693

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
	<u>Receipts</u>			
14,000	Rates and annual charges		14,085	13,637
8,713	User charges and fees		8,964	9,332
1,128	Investment and interest revenue received		1,217	1,165
24,576	Grants and contributions		26,277	16,299
1,331	Other		426	886
	<u>Payments</u>			
(11,869)	Employee benefits and on-costs		(11,804)	(11,370)
(7,625)	Materials and contracts		(9,477)	(7,936)
(108)	Borrowing costs		(137)	(132)
–	Bonds, deposits and retention amounts refunded		(197)	–
(4,760)	Other		(6,596)	(2,740)
	Net cash provided (or used in) operating activities	14b	22,758	19,141
25,386				
Cash flows from investing activities				
	<u>Receipts</u>			
–	Sale of investment securities		91,750	86,250
–	Sale of real estate assets		89	179
750	Sale of infrastructure, property, plant and equipment		668	1,177
–	Deferred debtors receipts		83	–
	<u>Payments</u>			
–	Purchase of investment securities		(90,750)	(89,750)
(29,785)	Purchase of infrastructure, property, plant and equipment		(21,888)	(21,177)
–	Deferred debtors and advances made		–	(441)
(29,035)	Net cash provided (or used in) investing activities		(20,048)	(23,762)
Cash flows from financing activities				
	<u>Payments</u>			
(220)	Repayment of borrowings and advances		(208)	(204)
(220)	Net cash flow provided (used in) financing activities		(208)	(204)
(3,869)	Net increase/(decrease) in cash and cash equivalents		2,502	(4,825)
5,242	Plus: cash and cash equivalents – beginning of year	14a	5,804	10,629
1,373	Cash and cash equivalents – end of the year	14a	8,306	5,804
	Additional Information:			
26,000	plus: Investments on hand – end of year	6(b)	38,661	39,500
27,373	Total cash, cash equivalents and investments		46,967	45,304

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

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

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

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

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

Council is a not for-profit entity.

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

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

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage services

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods.

Council's assessment of these new standards and interpretations are set out below:

AASB 16 Leases

AASB 16 will result in most of the operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

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

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

Whilst the impact of AASB 16 has not been fully determined, Council will bring into account any operating leases in accordance with new lease accounting rules in AASB 16.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

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

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

AASB 1058 Income of NFP Entities

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

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

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

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

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

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

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

The changes in revenue recognition requirements in AASB 1058 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. Each revenue stream, including grant agreements will be reviewed to determine the impact of AASB 1058

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Connect Cabonne to each other and the World	10,522	12,264	8,180	14,111	2,342	(1,847)	5,204	2,224	395,710	398,275
Build Business and Generate employment	267	184	749	743	(482)	(559)	–	5	347	347
Provide and develop Community facilities	1,941	1,992	10,616	7,303	(8,675)	(5,311)	459	716	74,929	75,416
Grow Cabonne Culture and Community	19,498	17,199	6,134	3,875	13,364	13,324	7,434	4,934	68,771	69,454
Manage our Natural Resources	15,223	11,026	7,266	7,906	7,957	3,120	7,658	3,800	108,672	93,166
Total functions and activities	47,451	42,665	32,945	33,938	14,506	8,727	20,755	11,679	648,429	636,658

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:

Connect Cabonne to each other and the World

To provide a safe, efficient, quality and well maintained Urban and Rural transport system. To ensure that Cabonne's infrastructure meets agricultural needs to get goods to and from market. To ensure everywhere in Cabonne has access to contemporary information and communication technology. To provide a range of transport options in to, out of and around Cabonne. To ensure access to major metropolitan markets to enable growth of tourism.

Build Business and Generate employment

To provide a strong and vibrant local business sector and to increase viable, sustainable and value adding business in Cabonne. To have a co-ordinated tourism product and a thriving visitor industry in Cabonne. To provide jobs for Cabonne people in Cabonne.

Provide and develop Community facilities

To provide preschool, play group, child care and youth facilities within Cabonne. To provide health and aged care facilities that meet the local communities needs. To provide sporting, recreational, council and community facilities and services that are maintained and developed in Cabonne.

Grow Cabonne Culture and Community

To have a successful balance of village and rural living in the Cabonne Shire. To provide a network of viable, relevant and cultural facilities that exist in Cabonne. To provide the community with beautiful towns and villages with historic assets. The community events build visitation, generate investment and strengthen community well being. To ensure that Cabonne is effective and efficient Council which make transparent and accountable decisions.

Manage our Natural Resources

To ensure that all town and villages have a secure and quality water supply. That Cabonne has flood mitigation processes in place to manage stormwater and pollution. That Cabonne has a sustainable solid and liquid waste management practices in place across the Shire. To provide our primary producers with information regarding best practice in regards to noxious weed controls. To ensure that all the natural resources are managed sustainably and in a planned way.

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	3,091	3,016
Farmland	5,022	4,911
Mining	1,758	1,723
Business	255	242
Less: pensioner rebates (mandatory)	(152)	(94)
Rates levied to ratepayers	9,974	9,798
Pensioner rate subsidies received	77	94
Total ordinary rates	10,051	9,892
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,388	1,289
Water supply services	522	476
Sewerage services	2,105	1,880
Waste management services (non-domestic)	200	191
Section 611 charges	7	7
Less: pensioner rebates (mandatory)	(152)	(84)
Stormwater levy	74	74
Annual charges levied	4,144	3,833
Pensioner subsidies received:		
– Water	10	12
– Sewerage	22	29
– Domestic waste management	55	43
Total annual charges	4,231	3,917
TOTAL RATES AND ANNUAL CHARGES	14,282	13,809

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	852	864
Sewerage services	66	87
Total specific user charges	918	951
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	426	289
Private works – section 67	453	382
Section 603 certificates	24	28
Discretionary fees – other	201	356
Waste management	221	98
Total fees and charges – statutory/regulatory	1,325	1,153
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Caravan park	164	172
Cemeteries	76	70
Child care	1,058	721
Lease rentals	353	230
Quarry revenues	–	57
RMS (formerly RTA) charges (state roads not controlled by Council)	3,427	5,302
Trade waste	8	10
Total fees and charges – other	5,086	6,562
TOTAL USER CHARGES AND FEES	7,329	8,666

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)	89	82
– Cash and investments	1,114	1,055
Dividend income (other)	17	17
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>1,220</u>	<u>1,154</u>

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

Overdue rates and annual charges (general fund)	58	55
General Council cash and investments	988	876

Restricted investments/funds – external:

Development contributions		
– Section 7.11	7	8
Water fund operations	56	72
Sewerage fund operations	53	65
Domestic waste management operations	41	61
Other externally restricted assets	17	17

Total interest and investment revenue	<u>1,220</u>	<u>1,154</u>
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Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(d) Other revenues		
Legal fees recovery – rates and charges (extra charges)	11	14
Commissions and agency fees	27	32
Diesel rebate	120	135
Insurance claims recoveries	23	66
Recycling income (non-domestic)	81	13
Gravel pit restoration	45	91
Rebates received	66	66
Fire and emergency services levy	–	2
Found assets	–	166
Other	53	8
<u>TOTAL OTHER REVENUE</u>	<u>426</u>	<u>593</u>

Accounting policy for other revenue

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,457	1,348	–	–
Financial assistance – local roads component	1,022	1,000	–	–
Payment in advance - future year allocation				
Financial assistance – general component	1,510	1,382	–	–
Financial assistance – local roads component	1,060	1,028	–	–
Total general purpose	5,049	4,758	–	–
Specific purpose				
Water supplies	6	51	7,393	3,233
Economic development	–	5	–	–
LIRS subsidy	77	82	–	–
Recreation and culture	57	65	2,306	225
Street lighting	38	38	–	–
Community services	629	646	–	–
Environment	182	220	126	130
Museums	–	–	–	150
Training	–	14	–	–
Transport and communication	375	–	4,445	189
Transport and communication – roads to recovery	–	1,873	–	–
Other	72	–	–	–
Total specific purpose	1,436	2,994	14,270	3,927
Total grants	6,485	7,752	14,270	3,927
Grant revenue is attributable to:				
– Commonwealth funding	5,391	2,188	567	–
– State funding	1,094	5,564	13,701	3,927
– Other funding	–	–	2	–
	6,485	7,752	14,270	3,927

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		42	113	–	–
Total developer contributions – cash		42	113	–	–
Total developer contributions	23	42	113	–	–
Other contributions:					
Cash contributions					
Bushfire services		84	250	567	535
Community services		182	128	–	497
Recreation and culture		3	3	–	2
RMS contributions (regional roads, block grant)		1,609	1,577	–	1,031
Sewerage (excl. section 64 contributions)		–	40	20	173
Tourism		9	–	–	–
Water supplies (excl. section 64 contributions)		–	–	–	55
Administration		9	12	–	–
Environment		19	4	–	–
Governance		–	47	–	–
Health		73	69	–	–
Transport and communication		165	1,203	58	368
Total other contributions – cash		2,153	3,333	645	2,661
Total other contributions		2,153	3,333	645	2,661
Total contributions		2,195	3,446	645	2,661
TOTAL GRANTS AND CONTRIBUTIONS		8,680	11,198	14,915	6,588

Accounting policy for grants and contributions

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

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

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

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

Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	3,783	3,378
Add: operating grants recognised in the current period but not yet spent	2,679	2,784
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(3,417)	(2,379)
Unexpended and held as restricted assets (operating grants)	3,045	3,783
Capital grants		
Unexpended at the close of the previous reporting period	295	349
Add: capital grants recognised in the current period but not yet spent	417	90
Add: capital grants received for the provision of goods and services in a future period	–	–
Less: capital grants recognised in a previous reporting period now spent	(182)	(144)
Unexpended and held as restricted assets (capital grants)	530	295
Contributions		
Unexpended at the close of the previous reporting period	1,997	3,956
Add: contributions recognised in the current period but not yet spent	1,619	882
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	(926)	(2,841)
Unexpended and held as restricted assets (contributions)	2,690	1,997

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	8,796	9,178
Travel expenses	441	412
Employee leave entitlements (ELE)	1,743	1,617
Superannuation	1,186	1,107
Workers' compensation insurance	392	265
Fringe benefit tax (FBT)	60	93
Pre employment medicals	7	11
Protective clothing	63	63
Training costs (other than salaries and wages)	183	171
Other	74	92
Total employee costs	12,945	13,009
Less: capitalised costs	(1,470)	(1,611)
TOTAL EMPLOYEE COSTS EXPENSED	11,475	11,398
Number of 'full-time equivalent' employees (FTE) at year end	152	158

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 19 for more information.

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		119	133
Other debts		11	–
Total interest bearing liability costs expensed		130	133
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	12	5	9
Total other borrowing costs		5	9
TOTAL BORROWING COSTS EXPENSED		135	142

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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.

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	2,635	2,643
– Caretaker fees	166	174
– Cleaning	87	87
– Consultancy costs	57	14
– Licence agreements	474	365
– Service contracts	1,734	3,573
– Valuation fees	62	61
Auditors remuneration ²	51	51
Legal expenses:		
– Legal expenses: planning and development	2	7
– Legal expenses: other	51	60
Total materials and contracts	5,319	7,035
TOTAL MATERIALS AND CONTRACTS	5,319	7,035

Accounting policy for operating leases

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

2. Auditor remuneration

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

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

Audit and review of financial statements	51	51
Remuneration for audit and other assurance services	51	51
Total Auditor-General remuneration	51	51
Non NSW Auditor-General audit firms		
Total remuneration of non NSW Auditor-General audit firms	–	–
Total Auditor remuneration	51	51

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		2,050	2,174
Office equipment		84	98
Furniture and fittings		48	49
Land improvements (depreciable)		150	142
Infrastructure:			
– Buildings – non-specialised		144	82
– Buildings – specialised		1,617	1,421
– Other structures		390	364
– Roads		3,987	3,827
– Bridges		391	383
– Footpaths		61	59
– Stormwater drainage		405	403
– Water supply network		581	472
– Sewerage network		734	837
– Swimming pools		136	135
– Other open space/recreational assets		149	145
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9,12	1	1
– Quarry assets	9,12	5	4
Intangible assets	10	40	50
Total gross depreciation and amortisation costs		10,973	10,646
Total depreciation and amortisation costs		10,973	10,646
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		10,973	10,646

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.

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

Impairment of non-financial assets

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

\$ '000	2019	2018
(e) Other expenses		
Advertising	58	80
Bank charges	36	35
Commissions paid	20	18
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	18	23
– NSW fire brigade levy	38	38
– NSW rural fire service levy	389	361
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	144	126
Councillors' expenses (incl. mayor) – other (excluding fees above)	42	39
Donations, contributions and assistance to other organisations (Section 356)	27	23
Donations, contributions and assistance to community groups	581	492
Electricity and heating	417	388
External hire	1,051	930
Insurance	626	621
Memberships	173	167
Pensioner rates write off	–	136
Postage	40	42
Printing and stationery	95	106
Rates expense	634	494
Registrations	152	157
Rent expense	17	18
Service subsidy expense	26	18
Street lighting	209	160
Subscriptions and publications	24	19
Telephone and communications	103	104
Volunteer expenses	20	21
Water / sewer sampling	11	20
Other	66	56
Total other expenses	5,043	4,717
TOTAL OTHER EXPENSES	5,043	4,717

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
Plant and equipment	9		
Proceeds from disposal – plant and equipment		668	1,177
Less: carrying amount of plant and equipment assets sold/written off		(515)	(704)
Net gain/(loss) on disposal		153	473
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		89	179
Less: carrying amount of real estate assets sold/written off		–	(174)
Net gain/(loss) on disposal		89	5
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		91,750	86,250
Less: carrying amount of investments sold/redeemed/matured		(91,750)	(86,250)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		242	478

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	1,142	852
Cash-equivalent assets		
– Deposits at call	3,664	4,952
– Short-term deposits	3,500	–
Total cash and cash equivalents	8,306	5,804

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				
Financial assets at amortised costs (2018 held to maturity investments)	38,500	–	39,500	–
Equity Securities at FVOCI	–	161	–	–
Total Investments	38,500	161	39,500	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	46,806	161	45,304	–
Financial assets at amortised costs (2018 held to maturity)				
Term deposits	38,500	–	39,500	–
Total	38,500	–	39,500	–
Equity Securities at FVOCI				
Equity instruments	–	161	–	–
Total	–	161	–	–

	Fair value at 30/06/19	Dividend income recognised during 1/7/18 – 30/6/19
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Financial assets designated as at fair value through other comprehensive income

At 1 July 2018, Council designated the investments shown below as financial assets as at fair value through other comprehensive income because these financial assets represent investments that the Council intends to hold for the long-term for strategic purposes. In 2018, these investments were not previously recognised due to the immaterial cost.

Southern Phone Shares	161	16
Total	161	16

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

No strategic investments were disposed of during 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

Financial assets

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

Classification

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

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

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

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

Fair value through other comprehensive income – equity instruments

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

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

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

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Classification

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

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

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

(b) Held to maturity investments

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

(c) Loans and receivables

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

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

(d) Available for sale financial assets

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

Recognition and de-recognition

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

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

Impairment of financial assets

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

Impairment of available for sale investments

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	46,806	161	45,304	–
attributable to:				
External restrictions	18,509	–	15,573	–
Internal restrictions	26,676	–	27,101	–
Unrestricted	1,621	161	2,630	–
	46,806	161	45,304	–

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	898	906
RMS contributions	1,793	1,091
Specific purpose unexpended grants	3,575	4,078
Water supplies	4,566	1,916
Sewerage services	2,505	2,552
Domestic waste management	3,728	3,775
Stormwater management	316	243
Canowindra sports trust	40	65
Canowindra town improvement	1,088	947

External restrictions – other

Total external restrictions

Internal restrictions

Plant and vehicle replacement	1,665	2,692
Infrastructure replacement	1,620	1,620
Employees leave entitlement	1,826	2,062
Budget equilization	3,342	433
Cadia contributions	–	728
Capital works	7,173	6,441
Community services	593	5
Environment	126	126
Environmental sustainability	138	138
Gravel pits	343	323
Housing	137	137
Limestone quarry	1,480	1,480
Office equipment	950	989
Recreation and culture	2	2
Revoted expenditure (sec 23a)	–	3,270
Roadworks	6,029	4,558
Sewerage	17	17
Village enhancement	1,235	2,080

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	533	359	387	340
Interest and extra charges	33	194	25	183
User charges and fees	522	183	444	150
Accrued revenues				
– Interest on investments	287	–	303	–
– Other income accruals	3,254	–	2,887	–
Amounts due from other councils	289	–	148	–
Council private works	132	–	32	–
Deferred debtors	78	561	36	686
Government grants and subsidies	383	–	2,448	–
NSW Rural Fire Service	299	–	666	–
Other debtors	125	–	239	–
Total	5,935	1,297	7,615	1,359
Less: provision of impairment				
Rates and annual charges	(140)	–	(172)	–
User charges and fees	(163)	–	(163)	–
Total provision for impairment – receivables	(303)	–	(335)	–
TOTAL NET RECEIVABLES	5,632	1,297	7,280	1,359
Externally restricted receivables				
Water supply				
– Specific purpose grants	18	–	2,262	–
– Rates and availability charges	15	13	13	13
– Other	533	56	472	36
Sewerage services				
– Rates and availability charges	29	40	22	38
– Other	926	132	711	123
Total external restrictions	1,521	241	3,480	210
Unrestricted receivables	4,111	1,056	3,800	1,149
TOTAL NET RECEIVABLES	5,632	1,297	7,280	1,359

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	303	335
Balance at the end of the period	303	335

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.

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

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

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	589	41	589	41
Stores and materials	384	–	347	–
Total inventories at cost	973	41	936	41
TOTAL INVENTORIES	973	41	936	41

(b) Other assets

Prepayments	104	–	123	–
Shares in unlisted companies – StateCover	–	282	–	282
TOTAL OTHER ASSETS	104	282	123	282

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	1,077	323	1,059	323
TOTAL INVENTORIES AND OTHER ASSETS	1,077	323	1,059	323

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		548	–	548	–
Industrial/commercial		41	41	41	41
Total real estate for resale		589	41	589	41

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

Represented by:

Acquisition costs	548	–	278	–
Development costs	41	41	311	41
Total costs	589	41	589	41
Total real estate for resale	589	41	589	41

Movements:

Real estate assets at beginning of the year	589	41	589	215
– WDV of sales (expense)	–	–	–	(174)
Total real estate for resale	589	41	589	41

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

\$ '000	2019	2018
Real estate for resale	589	589
	<u>589</u>	<u>589</u>

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

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018			Asset movements during the reporting period						as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	8,467	–	8,467	–	5,620	–	–	–	–	14,087	–	14,087
Plant and equipment	40,224	(26,761)	13,463	–	2,116	(514)	(2,050)	20	–	40,774	(27,738)	13,036
Office equipment	2,767	(2,253)	514	–	–	–	(84)	–	–	2,766	(2,336)	430
Furniture and fittings	1,034	(750)	284	–	22	–	(48)	–	–	1,056	(798)	258
Land:												
– Operational land	7,600	–	7,600	–	131	–	–	–	–	7,731	–	7,731
– Community land	9,173	–	9,173	–	–	–	–	–	–	9,173	–	9,173
Land improvements – non-depreciable	14,832	–	14,832	–	–	–	–	–	–	14,832	–	14,832
Land improvements – depreciable	7,408	(2,266)	5,142	–	237	–	(150)	–	–	7,645	(2,416)	5,229
Infrastructure:												
– Buildings – non-specialised	5,763	(3,074)	2,689	–	–	–	(144)	–	–	5,763	(3,218)	2,545
– Buildings – specialised	66,571	(35,174)	31,397	361	1,084	–	(1,617)	–	–	68,016	(36,791)	31,225
– Other structures	11,423	(5,371)	6,052	–	129	–	(390)	–	–	11,552	(5,760)	5,792
– Roads	207,563	(61,584)	145,979	4,512	5,678	–	(3,987)	–	–	217,756	(65,573)	152,183
– Bridges	58,764	(11,880)	46,884	–	53	–	(391)	–	–	58,817	(12,269)	46,548
– Footpaths	6,123	(1,950)	4,173	–	1,054	–	(61)	–	–	7,177	(2,011)	5,166
– Bulk earthworks (non-depreciable)	148,408	–	148,408	–	–	–	–	–	–	148,409	–	148,409
– Stormwater drainage	63,153	(12,345)	50,808	–	183	–	(405)	–	–	63,336	(12,750)	50,586
– Water supply network	44,217	(23,426)	20,791	20	95	–	(581)	–	324	45,039	(24,391)	20,648
– Sewerage network	45,456	(12,966)	32,490	115	318	–	(734)	(20)	528	46,617	(13,920)	32,697
– Swimming pools	9,567	(3,491)	6,076	–	54	–	(136)	–	–	9,621	(3,628)	5,993
– Other open space/recreational assets	3,314	(1,684)	1,630	–	102	–	(149)	–	–	3,416	(1,834)	1,582
Reinstatement, rehabilitation and restoration assets (refer Note 14):												
– Tip assets	288	(282)	6	–	–	–	(1)	–	–	288	(283)	5
– Quarry assets	646	(523)	123	–	–	–	(5)	–	–	646	(528)	118
Total Infrastructure, property, plant and equipment	762,761	(205,780)	556,981	5,008	16,876	(514)	(10,933)	–	852	784,517	(216,244)	568,273

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Other movements	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	3,139	—	3,139	—	5,328	—	—	—	—	—	8,467	—	8,467
Plant and equipment	40,467	(26,385)	14,082	—	2,259	(704)	(2,174)	—	—	—	40,224	(26,761)	13,463
Office equipment	2,665	(2,154)	511	—	100	—	(98)	—	—	—	2,767	(2,253)	514
Furniture and fittings	975	(702)	273	—	60	—	(49)	—	—	—	1,034	(750)	284
Land:													
– Operational land	7,107	—	7,107	—	138	—	—	—	—	355	7,600	—	7,600
– Community land	9,173	—	9,173	—	—	—	—	—	—	—	9,173	—	9,173
Land improvements – non-depreciable	14,832	—	14,832	—	—	—	—	—	—	—	14,832	—	14,832
Land improvements – depreciable	7,249	(2,124)	5,125	—	159	—	(142)	—	—	—	7,408	(2,266)	5,142
Infrastructure:													
– Buildings – non-specialised	3,359	(2,124)	1,235	—	—	—	(82)	—	—	1,536	5,763	(3,074)	2,689
– Buildings – specialised	59,790	(32,656)	27,134	542	735	—	(1,421)	—	—	4,406	66,571	(35,174)	31,397
– Other structures	10,381	(5,072)	5,309	28	996	—	(364)	83	—	—	11,423	(5,371)	6,052
– Roads	199,169	(57,809)	141,360	8,005	393	—	(3,827)	48	—	—	207,563	(61,584)	145,979
– Bridges	57,603	(11,497)	46,106	450	709	—	(383)	2	—	—	58,764	(11,880)	46,884
– Footpaths	5,944	(1,890)	4,054	—	179	—	(59)	(1)	—	—	6,123	(1,950)	4,173
– Bulk earthworks (non-depreciable)	148,410	—	148,410	—	—	—	—	—	—	—	148,408	—	148,408
– Stormwater drainage	62,940	(11,976)	50,964	213	—	—	(403)	34	—	—	63,153	(12,345)	50,808
– Water supply network	46,334	(22,632)	23,702	21	94	—	(472)	—	(2,555)	—	44,217	(23,426)	20,791
– Sewerage network	49,482	(11,936)	37,546	146	164	—	(837)	—	(4,528)	—	45,456	(12,966)	32,490
– Swimming pools	9,463	(3,356)	6,107	104	—	—	(135)	—	—	—	9,567	(3,491)	6,076
– Other open space/recreational assets	3,255	(1,553)	1,702	5	68	—	(145)	—	—	—	3,314	(1,684)	1,630
Reinstatement, rehabilitation and restoration assets (refer Note 14):													
– Tip assets	288	(281)	7	—	—	—	(1)	—	—	—	288	(282)	6
– Quarry assets	646	(519)	127	—	—	—	(4)	—	—	—	646	(523)	123
Total Infrastructure, property, plant and equipment	742,671	(194,666)	548,005	9,514	11,382	(704)	(10,596)	166	(7,083)	6,297	762,761	(205,780)	556,981

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 35
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 10	Buildings	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	33 to 50
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains	60
Bores	30	Culverts	60
Reticulation pipes: PVC	40 to 80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	10 to 70		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	30	Swimming pools	70
Sealed roads: structure	75	Other open space/recreational assets	15 to 110
Unsealed roads	40	Other infrastructure	15 to 110
Bridge: concrete	150		
Bulk earthworks	Infinite		
Kerb, gutter, footpaths	100		

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

Land under roads

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Crown reserves

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

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

Rural Fire Service assets

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

Council has no care or control over the purchase or sale of plant and equipment or other fire fighting equipment, nor does Council receive any proceeds from their disposal.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for Council owned land and buildings only.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	517	402
Accumulated amortisation	(378)	(328)
Net book value – opening balance	139	74
Movements for the year		
– Purchases	–	115
– Amortisation charges	(40)	(50)
Closing values at 30 June		
Gross book value	517	517
Accumulated amortisation	(418)	(378)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>99</u>	<u>139</u>
The net book value of intangible assets represents:		
– Software	99	139
	99	139

Accounting policy for intangible assets

IT development and software

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	2,754	–	3,991	–
Accrued expenses:				
– Borrowings	3	–	5	–
– Salaries and wages	280	–	314	–
– Other expenditure accruals	231	–	2,222	–
Security bonds, deposits and retentions	152	58	352	55
Other	60	–	46	–
Total payables	3,480	58	6,930	55
Income received in advance				
Payments received in advance	297	–	291	–
Total income received in advance	297	–	291	–
Borrowings				
Loans – secured ¹	219	1,686	207	1,906
Total borrowings	219	1,686	207	1,906
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,996</u>	<u>1,744</u>	<u>7,428</u>	<u>1,961</u>

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

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	63	–	2,212	–
Sewer	237	1,686	255	1,906
Payables and borrowings relating to externally restricted assets	300	1,686	2,467	1,906
Total payables and borrowings relating to restricted assets	300	1,686	2,467	1,906
Total payables and borrowings relating to unrestricted assets	3,696	58	4,961	55
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,996</u>	<u>1,744</u>	<u>7,428</u>	<u>1,961</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

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

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

Total payables and borrowings

—	—

(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	2,113	(208)	—	—	—	1,905	
TOTAL	2,113	(208)	—	—	—	1,905	

	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	2,317	(204)	—	—	—	2,113	
TOTAL	2,317	(204)	—	—	—	2,113	

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	1,129	–	1,183	–
Long service leave	2,526	–	2,767	–
Sub-total – aggregate employee benefits	3,655	–	3,950	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	1,631	–	1,626
Sub-total – asset remediation/restoration	–	1,631	–	1,626
<u>TOTAL PROVISIONS</u>	<u>3,655</u>	<u>1,631</u>	<u>3,950</u>	<u>1,626</u>

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

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

Provisions – employees benefits	2,684	2,952
	<u>2,684</u>	<u>2,952</u>

(b) Description of and movements in provisions

\$ '000	Other provisions		
	Other	Asset remediation	Total
2019			
At beginning of year	–	1,626	1,626
Other	–	5	5
Total other provisions at end of period	–	1,631	1,631
2018			
At beginning of year	49	1,617	1,666
Unwinding of discount	–	9	9
Other	(49)	–	(49)
Total other provisions at end of period	–	1,626	1,626

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

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

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

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

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

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

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

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.

Fair value through other comprehensive income reserve (FVOCI)

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

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

No prior period errors were identified in the reporting period.

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

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

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)

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

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

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

Classification of financial assets

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

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

Measurement of equity instruments

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

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

Impairment of financial assets

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

Transition adjustments

The impacts to reserves and retained earnings on adoption of AASB 9 at 1 July 2018 are shown below:

\$ '000	Available for sale invest- ment revaluation reserve	FVOCI reserve	Retained earnings	Non- controlling interests	Total
Reclassify investments from 'available for sale' to fair value through other comprehensive income – equity	–	161	–	–	161

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)	8,306	5,804
Balance as per the Statement of Cash Flows		8,306	5,804

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

Net operating result from Income Statement	14,506	8,727
Adjust for non-cash items:		
Depreciation and amortisation	10,973	10,646
Net losses/(gains) on disposal of assets	(242)	(478)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
Other non cash movements	–	48
Unwinding of discount rates on reinstatement provisions	–	9
Share of net (profits)/losses of associates/joint ventures using the equity method	(357)	(179)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	1,659	(3,478)
Increase/(decrease) in provision for impairment of receivables	(32)	–
Decrease/(increase) in inventories	(37)	5
Decrease/(increase) in other current assets	19	(15)
Increase/(decrease) in payables	(1,237)	1,790
Increase/(decrease) in accrued interest payable	(2)	1
Increase/(decrease) in other accrued expenses payable	(2,025)	2,062
Increase/(decrease) in other liabilities	(177)	(28)
Increase/(decrease) in provision for employee benefits	(295)	80
Increase/(decrease) in other provisions	5	(49)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	22,758	19,141

(c) Net cash flows attributable to discontinued operations

Please refer to Note 22 for details of cash flows that relate to discontinued operations

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Associates	357	179	24,761	24,213
Total	357	179	24,761	24,213

(a) Associates

The following information is provided for associates that are individually material to the Council. Included are the amounts as per the individual associates' financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share. Central Tablelands Water financial data for 2018/2019 is in fact from their Audited 2017/2018 financial statements, which are the most recent audited financial statements available.

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method		
			2019	2018
Central Tablelands Water	Associate	Equity	24,761	24,213
Total carrying amounts – material associates			24,761	24,213

(b) Details

Principal activity		Place of business
Central Tablelands Water	Supply Water	Blayney

(c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
Central Tablelands Water	33%	33%	33%	33%	33%	33%

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

\$ '000	Central Tablelands Water	
	2019	2018
(d) Summarised financial information for associates		
Statement of financial position		
Current assets		
Cash and cash equivalents	817	1,165
Other current assets	6,763	6,835
Non-current assets	69,618	67,961
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	466	437
Other current liabilities	986	967
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	1,455	1,912
Net assets	74,291	72,645
Reconciliation of the carrying amount		
Opening net assets (1 July)	72,645	60,978
Profit/(loss) for the period	1,070	539
Gains on revaluation of I,PP&E	576	11,128
Closing net assets	74,291	72,645
Council's share of net assets (%)	33%	33%
Council's share of net assets (\$)	24,761	24,213
Statement of comprehensive income		
Income	6,846	5,774
Interest income	182	210
Depreciation and amortisation	(2,111)	(1,807)
Interest expense	(144)	(172)
Other expenses	(3,703)	(3,466)
Profit/(loss) from continuing operations	1,070	539
Profit/(loss) for period	1,070	539
Other comprehensive income	576	11,128
Total comprehensive income	1,646	11,667
Share of income – Council (%)	33%	33%
Profit/(loss) – Council (\$)	357	180
Total comprehensive income – Council (\$)	549	3,889
Summarised Statement of cash flows		
Cash flows from operating activities	3,050	2,145
Cash flows from investing activities	(2,961)	(1,444)
Cash flows from financing activities	(437)	(409)
Net increase (decrease) in cash and cash equivalents	(348)	292

Accounting policy for associates

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

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

If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

The Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated.

Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

(b) Unconsolidated structured entities

Council did not consolidate the following structured entities:

(c) Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2019	2019
		Net profit	Net assets
Section 355 Committees of Council	Management control and care of Council property	623	2,866

Reasons for non-recognition

Council auspice a number of Section 355 Committees and due to their immaterial value and nature have been excluded from recognition.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments

\$ '000	2019	2018
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	39	167
Plant and equipment	1,237	392
Sewer	29	4
Water	10	2,344
Other structures	304	15
Other	295	33
Total commitments	1,914	2,955
These expenditures are payable as follows:		
Within the next year	1,914	2,955
Total payable	1,914	2,955
Sources for funding of capital commitments:		
Unrestricted general funds	458	—
Future grants and contributions	39	2,297
Unexpended grants	—	167
Externally restricted reserves	59	51
Internally restricted reserves	1,358	440
Total sources of funding	1,914	2,955

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

As stated above, each sponsoring employer (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 \$ 171,999. The last valuation of the Scheme was performed by Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, and covers the period ended 30 June 2017.

The amount of additional contributions included in the total employer contribution advised above is \$171,999. Council's expected contribution to the plan for the next annual reporting period is \$167,000.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Employer reserves only *	\$millions	Asset Coverage
Assets	\$1,819.7	
Past Service Liabilities	\$1,851.9	98.3%

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

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

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

* Plus promotional increases

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

(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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management

Risk management

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

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

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

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

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	8,306	5,804	8,306	5,804
Receivables	6,929	8,639	6,928	8,639
Investments	38,500	39,500	38,500	39,500
Fair value through other comprehensive income				
Investments				
– 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	161	–	161	–
Other financial assets	282	282	282	282
Total financial assets	54,178	54,225	54,177	54,225
Financial liabilities				
Payables	3,538	6,985	3,538	6,985
Loans/advances	1,905	2,113	1,905	2,113
Total financial liabilities	5,443	9,098	5,443	9,098

Fair value is determined as follows:

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and 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:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

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

(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 1% movement in interest rates	556	556	(556)	(556)
2018				
Possible impact of a 1% movement in interest rates	503	503	(403)	(403)

(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.

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.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

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						

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
Gross carrying amount	532	360	–	–	–	892
2018						
Gross carrying amount	385	342	–	–	–	727

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	–	6,340	–	–	–	6,340
Expected loss rate (%)	0.00%	0.05%	0.00%	0.00%	0.00%	0.05%
ECL provision	–	3	–	–	–	3
2018						
Gross carrying amount	6,869	298	26	333	721	8,247
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	210	3,328	–	–	3,538	3,538
Loans and advances	5.88%	–	327	1,907	–	2,234	1,905
Total financial liabilities		210	3,655	1,907	–	5,772	5,443

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2018							
Trade/other payables	0.00%	407	6,578	—	—	6,985	6,985
Loans and advances	5.88%	—	327	2,233	—	2,560	2,113
Total financial liabilities		407	6,905	2,233	—	9,545	9,098

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 25/06/2018 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				
User charges and fees	8,713	7,329	(1,384)	(16)% U
Expected income for the RMS Ordered works contract was significantly lower than actually received.				
Other revenues	555	426	(129)	(23)% U
Gravel pit restoration income was significantly down than anticipated, due to the minimal extraction of gravel from the pits as a result of the RMS ordered works decline.				
Operating grants and contributions	7,598	8,680	1,082	14% F
The favourable result was due to the Financial Assistance grant early allocation for the 2019/20 year being received in June 2019.				
Capital grants and contributions	17,913	14,915	(2,998)	(17)% U
It was anticipated the Water pipeline project would be completed in the 18/19 year. The grant funds will be received in the 19/20 year on finalisation of the works.				
Net gains from disposal of assets	300	242	(58)	(19)% U
Sales of council plant and equipment was lower than anticipated.				

EXPENSES

Materials and contracts	7,624	5,319	2,305	30% F
Anticipated a higher budget for the RMC state ordered works, resulting in a decrease expenditure in contracts.				

STATEMENT OF CASH FLOWS

Net cash provided from (used in) investing activities	(29,035)	(20,048)	8,987	(31)% F
Councils anticipated capital works program for 18/19 was \$29m. Council's expenditure was for \$21k, therefore affecting the budgeted forecast in the cashflow.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement

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

- Financial assets
- Infrastructure, property, plant and equipment

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

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

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

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

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

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

		Fair value measurement hierarchy				
2019	Notes	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– 'Financial assets at fair value through other comprehensive income'		30/06/19	–	161	–	161
Total financial assets			–	161	–	161
Total financial liabilities			–	–	–	–
Infrastructure, property, plant and equipment						
	9					
Capital works in progress		30/06/2019	–	–	14,087	14,087
Plant and equipment		30/06/2019	–	–	13,036	13,036
Office equipment		30/06/2019	–	–	430	430
Furniture and fittings		30/06/2019	–	–	258	258
Operational land		30/06/2018	–	7,731	–	7,731
Community land		30/06/2016	–	9,173	–	9,173
Land improvements non depreciable		30/06/2016	–	–	14,832	14,832
Land Improvements depreciable		30/06/2016	–	–	5,229	5,229
Building non specialised		30/06/2018	–	–	2,545	2,545
Building specialised		30/06/2018	–	–	31,225	31,225
Other structures		30/06/2017	–	–	5,792	5,792
Roads		30/06/2015	–	–	152,183	152,183
Bridges		30/06/2015	–	–	46,548	46,548
Footpaths		30/06/2015	–	–	5,166	5,166
Bulk earthworks		30/06/2015	–	–	148,409	148,409
Stormwater drainage		30/06/2015	–	–	50,586	50,586
Water supply network		30/06/2018	–	–	20,648	20,648
Sewer network		30/06/2018	–	–	32,697	32,697
Swimming pools		30/06/2017	–	–	5,993	5,993
Tip assets		30/06/2018	–	–	5	5
Quarry assets		30/06/2018	–	–	118	118
Open Space/recreational assets		30/06/2017	–	–	1,582	1,582

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

		Fair value measurement hierarchy				
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
2019	Notes					
Total infrastructure, property, plant and equipment			—	16,904	551,369	568,273

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements						
Total financial liabilities			—	—	—	—

Infrastructure, property, plant and equipment	9					
Capital works in progress		30/06/18	–	–	8,467	8,467
Plant and equipment		30/06/18	–	–	13,463	13,463
Office equipment		30/06/18	–	–	514	514
Furniture and fittings		30/06/18	–	–	284	284
Operational land		30/06/18	–	7,600	–	7,600
Community land		30/06/16	–	–	9,173	9,173
Land improvements non depreciable		30/06/16	–	–	14,832	14,832
Land Improvements depreciable		30/06/16	–	–	5,142	5,142
Building non specialised		30/06/18	–	2,689	–	2,689
Building specialised		30/06/18	–	31,397	–	31,397
Other structures		30/06/17	–	–	6,052	6,052
Roads		30/06/15	–	–	145,979	145,979
Bridges		30/06/15	–	–	46,884	46,884
Footpaths		30/06/15	–	–	4,173	4,173
Bulk earthworks		30/06/15	–	–	148,408	148,408
Stormwater drainage		30/06/15	–	–	50,808	50,808
Water supply network		30/06/18	–	–	20,791	20,791
Sewer network		30/06/18	–	–	32,490	32,490
Swimming pools		30/06/17	–	–	6,076	6,076
Tip assets		30/06/18	–	–	6	6
Quarry assets		30/06/18	–	–	123	123
Open Space/recreational assets		30/06/17	–	–	1,630	1,630
Total infrastructure, property, plant and equipment			–	41,686	515,295	556,981

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

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

Financial assets

Financial assets are exposed to financial risk such as price risk, credit risk, liquidity risk and interest rate risk surrounding the unpredictability of financial markets. The valuation technique for these assets is based on a market approach observing that the carrying value is a reasonable approximation of the fair value.

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

Capital Works in Progress – Uncompleted capital projects

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Plant and Equipment – Major plant (graders, loaders trucks etc.), fleet vehicles (cars, utes etc.) and minor plant (chainsaws, mowers etc.)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Plant and Equipment are valued at cost but are disclosed at fair value.

Office Equipment – Computers, servers

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Office Equipment is valued at cost but is disclosed at fair value.

Furniture and Fittings – Desks, chairs, air conditioners, cupboards

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Furniture and Fittings are valued at cost but are disclosed at fair value.

Operational Land

Valuation Techniques: 'Market approach'

Inputs Used (Level 2): Land area, rate per square metre, zoning restrictions, geographical location, sales of comparable land.

Councils Operational Land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land's description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

With regard to the above Councils Valuer Scott Fullarton Valuations P/L analysed sales of land throughout Cabonne Shire and surrounding Council areas and adopted a rate per square metre, after taking into consideration zoning, location, area and configuration.

Community Land

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

Valuation Techniques: 'Market approach - with adjustments and limitations on land use'

Inputs Used (Level 2): The NSW Valuer General's valuations (as at 1 July 2015)

Councils community land is land intended for public access and use, or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, or dedication under section 94 of the Environmental Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management for it.

In relation to the valuing of Community Land the Office of Local Government has authorised the use of the NSW Valuer General's valuations as a sufficient basis to represent fair value for the revaluation of community land under clause 31 of AASB 116.

Non Depreciable land Improvements

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Non Depreciable Land Improvements were valued as at 30 June 2016. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Australian Construction handbook 2014 - Rawlinson's'.

Depreciable Land Improvements – Gardens/softfall areas, cricket pitches and recreation ground pathways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, unit rates

Depreciable Land Improvements were valued as at 30 June 2016. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Australian Construction handbook 2014 - Rawlinson's'.

Buildings (Specialised/Non Specialised) – Community halls, toilet blocks, council offices, library, multipurpose centre, works depot

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Council's buildings were valued at fair value on 30th June 2018 in accordance with Compiled Accounting Standard AASB116 Property, Plant and Equipment, the guidance contained in the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB 116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction"

Councils Specialised Buildings were valued by Scott Fullarton Valuation (SFV) P/L as at 30 June 2018. SFV provided a valuation for each building based on applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. These rates were derived from substantial analysis of construction costs from over one hundred and twenty (120) Councils throughout New South Wales.

SFV estimated the Total Life and Residual Life of each building/structure and, where the building is considered a complex asset, for each component, as they have useful lives different from those of the non-current assets to which they relate. In regard to componentisation, Paragraph 43 of AASB116 requires each part of the asset with a cost that is significant in relation to the asset be depreciated separately (structure, internal finishes, electrical services, mechanical services, fire/security and roof).

Other Structures

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, unit rates, asset condition

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

Other Structures were valued as at 30 June 2017. Valuations are based on unit rates derived from historical costs and from industry rates from Cordell's Commercial building cost guide March 2017 and the 'Rawlinson's Australian Construction handbook 2017 Edition 35.

Swimming Pools

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates, asset condition

Swimming pools were valued as at 30 June 2017. Valuations are based on unit rates derived from industry rates from Cordell's Commercial building cost guide March 2017 and the 'Rawlinson's Australian Construction handbook 2017 Edition 35.

Open space/recreational assets

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates, asset condition

Open Spaces were valued as at 30 June 2017. Valuations are based on unit rates derived from industry rates from Cordell's Commercial building cost guide March 2017 and the 'Rawlinson's Australian Construction handbook 2017 Edition 35.

Roads – Road surface, pavement, formation, major earthworks

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Councils road infrastructure assets were last valued by Pavement Management Services on 30 June 2015. As per Paragraph 43 of AASB116, Councils roads infrastructure assets were segmented and componentised into the following categories (each representing a significant part of the overall asset):

- Road Surface
- Pavement
- Formation & Major Earthworks
- Kerb and Gutter

Roads – Sealed and Unsealed

GPS logged to establish the length and extent of the network. Road chainages were taken as the measure of Cabonne Council's road asset length. Seal widths (sealed roads) were taken from full condition assessment undertaken by Pavement Management Services.

The pavement width was assumed to be an additional 1m on each side of the Seal (e.g. Seal of 6 m is assumed to have an 8m wide pavement). This was confirmed by random sampling of a range of roads categories across the Shire.

Unit rates for major earthworks, pavement and sealing were based on the Rawlinson's; Construction Cost Guide 2010, Edition 18. These rates were verified against recent actual rates from Cabonne Council road works.

Condition Assessment data was established on all of Cabonne Councils road network.

Kerb and Gutter

Kerb & Gutter assets were valued in-house as at 30 June 2015.

Asset register was developed by Council staff completing a physical inspection of the Kerb & Gutter Network. Council staff were equipped with a GPS unit that measured the length and the location of each asset. Unit rates were established from historical data and also tested against recent construction costs. Condition assessment for Kerb and Gutter was collected at time of physical inspection along with the material used in the construction.

Bridges

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimension and specifications (concrete/timber), bridge traffic

Bridges assets were valued in-house as at 30 June 2015.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

Asset register was developed by Council staff completing a physical inspection of all Council Bridges. Council staff inspected and componentised each bridge collected the necessary data including condition rating, bridge dimensions and all other relevant data. Unit rates were established from historical data and also tested against recent construction costs.

Footpaths – Footways including cycleways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications (concrete/bitumen)

Asset register was developed by Council staff completing a physical inspection of all Council's footpaths. Council staff inspected each footpath and collected the necessary data including condition rating, dimensions and all other relevant data. Unit rates were established from historical data and also tested against recent construction costs.

Footpaths assets were valued by Pavement Management Services as at 30 June 2015.

Stormwater Drainage – includes pits, pipes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Asset register was developed by Council staff completing a physical inspection of all Council's stormwater drainage. Council staff inspected and collected the necessary data including condition rating, dimensions and all other relevant data. Unit rates were established from historical data and also tested against recent construction costs.

Stormwater drainage assets were valued in-house as at 30 June 2015.

Water Supply Network

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Water Network was revalued as at 30 June 2018. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables*, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets. Valuations and inspections were conducted by way of field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations and effluent reuse reservoir.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

Sewerage Network – Sewer pipes, pump stations, treatment plant, telemetry system, manholes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Sewer Network were revalued as at 30 June 2018. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables*, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

Valuations and inspections were conducted way of field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations and effluent reuse reservoir.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

Tip and Quarry Assets – Reinstatement, rehabilitation and restoration

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill and quarry sites. Closure of the landfill and quarry sites will involve a wide range of activities including final capping of the landfill waste and site re-vegetation, monitoring of landfill gas, revision of the surface water management system and leachate management infrastructure to suit post-closure operation.

Valuation are based on actual timing of costs and future environmental management.

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

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

\$ '000	Capital works in progress	Plant and equipment	Office equipment	Furniture and fittings	Land Imps non-deprecia ble
2018					
Opening balance	3,139	14,082	511	273	14,832
Purchases (GBV)	5,328	2,259	100	60	–
Disposals (WDV)	–	(2,174)	–	–	–
Depreciation and impairment	–	(704)	(98)	(49)	–
Other movement	–	–	1	–	–
Closing balance	8,467	13,463	514	284	14,832
2019					
Opening balance	8,467	13,463	514	284	14,832
Purchases (GBV)	5,620	2,117	–	22	–
Disposals (WDV)	–	(514)	–	–	–
Depreciation and impairment	–	(2,050)	(84)	(48)	–
Other movement	–	20	–	–	–
Closing balance	14,087	13,036	430	258	14,832

\$ '000	Land Imps depreciable	Buildings non-specialis ed	Building specialised	Other structures	Roads
2018					
Opening balance	5,125	1,235	27,134	5,309	141,360
Purchases (GBV)	159	–	1,277	1,024	8,398
Depreciation and impairment	(142)	(82)	(1,421)	(364)	(3,827)
FV gains – other comprehensive income	–	1,536	4,502	83	48
Other movement	–	–	(95)	–	–
Closing balance	5,142	2,689	31,397	6,052	145,979
2019					
Opening balance	5,142	2,689	31,397	6,052	145,979
Purchases (GBV)	237	–	1,445	131	10,191
Depreciation and impairment	(150)	(144)	(1,617)	(391)	(3,987)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Land Imps depreciable	Buildings non-specialis ed	Building specialised	Other structures	Roads
Closing balance	5,229	2,545	31,225	5,792	152,183

\$ '000	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Open spaces
2018					
Opening balance	46,106	4,054	148,410	50,964	1,702
Purchases (GBV)	1,159	179	–	213	73
Depreciation and impairment	(383)	(59)	–	(403)	(145)
FV gains – other comprehensive income	2	(1)	–	–	–
FV gains – Income Statement ¹	–	–	–	34	–
Other movement	–	–	(2)	–	–
Closing balance	46,884	4,173	148,408	50,808	1,630
2019					
Opening balance	46,884	4,173	148,408	50,808	1,630
Purchases (GBV)	55	1,054	1	183	101
Depreciation and impairment	(391)	(61)	–	(405)	(149)
Closing balance	46,548	5,166	148,409	50,586	1,582

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

\$ '000	Water network	Sewer network	Swimming pools
2018			
Opening balance	23,702	37,546	6,107
Purchases (GBV)	115	310	104
Depreciation and impairment	(472)	–	(135)
FV gains – other comprehensive income	(2,555)	(837)	–
FV gains – Income Statement ¹	–	(4,528)	–
Other movement	1	(1)	–
Closing balance	20,791	32,490	6,076
2019			
Opening balance	20,791	32,490	6,076
Purchases (GBV)	114	433	53
Depreciation and impairment	(581)	(734)	(136)
FV gains – other comprehensive income	324	528	–
Other movement	–	(20)	–
Closing balance	20,648	32,697	5,993

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

\$ '000	Tip assets	Quarry assets	Total
2018			
Opening balance	7	127	548,005
Purchases (GBV)	–	–	20,896
Disposals (WDV)	–	–	(2,174)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Tip assets	Quarry assets	Total
Depreciation and impairment	(1)	(4)	(8,289)
FV gains – other comprehensive income	–	–	3,133
FV gains – Income Statement ¹	–	–	(4,494)
Other movement	–	–	(96)
Closing balance	6	123	556,981
2019			
Opening balance	6	123	556,981
Purchases (GBV)	–	–	21,888
Disposals (WDV)	–	–	(514)
Depreciation and impairment	(1)	(5)	(10,934)
FV gains – other comprehensive income	–	–	852
Closing balance	5	118	568,273

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

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

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Buildings Specialised	31,225	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Buildings Non Specialised	2,545	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Capital Works in Progress	14,087	Cost Approach	<ul style="list-style-type: none"> • Gross Replacement Cost
Plant & Equipment	13,036	Cost Approach	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining Useful Life
Office Equipment	430	Cost Approach	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining Useful Life
Furniture & Fittings	258	Cost Approach	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining Useful Life
Land Improvements Non-Depreciable	14,832	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Remaining Useful Life
Land Improvements Depreciable	5,229	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Remaining Useful Life
Other structures	5,792	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Remaining Useful Life
Roads	152,183	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful life
Bridges	46,548	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful life
Footpaths	5,166	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful life

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Bulk Earthworks	148,409	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Terrain rating
Stormwater Drainage	50,586	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Water Supply Network	20,648	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Sewer Network	32,697	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Swimming Pools	5,993	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Open Space/Recreational Assets	1,582	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Tip Assets	5	Cost Approach	<ul style="list-style-type: none"> • Discounted future Cash Flows
Quarry Assets	118	Cost Approach	<ul style="list-style-type: none"> • Discounted future Cash Flows

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions

(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	831	910
Post-employment benefits	63	73
Other long-term benefits	22	23
Termination benefits	317	62
Total	1,233	1,068

(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.

- 1 A KMP of Council has a relative who is an employee at the Canowindra Phoenix with whom the Council advertises from time to time.
- 2 A KMP of Council has a relative who is an employee of Cabone Family Day Care operated by Cabonne Council.
- 3 A KMP of Council has an ownership stake in the Molong Express with whom the Council advertises from time to time.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions (continued)

(c) Other related party transactions

	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					
Central Tablelands Water	151	—		—	—

Note 22. Events occurring after the reporting date

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. 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

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Roads	726	24	–	7	(55)	–	702	–
Other	180	18	–	2	(4)	–	196	–
S7.11 contributions – under a plan	906	42	–	9	(59)	–	898	–
Total S7.11 and S7.12 revenue under plans	906	42	–	9	(59)	–	898	–
Total contributions	906	42	–	9	(59)	–	898	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 1 – SMALL RURAL HOLDINGS

Roads	36	6	–	–	–	–	42	–
Total	36	6	–	–	–	–	42	–

CONTRIBUTION PLAN NUMBER – GENERAL RURAL ZONE

Roads	690	18	–	7	(55)	–	660	–
Total	690	18	–	7	(55)	–	660	–

CONTRIBUTION PLAN NUMBER – BUSHFIRE EQUIPMENT

Other	180	18	–	2	(4)	–	196	–
Total	180	18	–	2	(4)	–	196	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. 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	11,686	513	2,083
User charges and fees	6,388	856	85
Interest and investment revenue	1,076	68	76
Other revenues	415	4	7
Grants and contributions provided for operating purposes	8,597	6	77
Grants and contributions provided for capital purposes	7,501	7,393	21
Other income			
Net gains from disposal of assets	242	–	–
Share of interests in joint ventures and associates using the equity method	357	–	–
Total income from continuing operations	36,262	8,840	2,349
Expenses from continuing operations			
Employee benefits and on-costs	10,700	342	433
Borrowing costs	16	–	119
Materials and contracts	4,479	319	521
Depreciation and amortisation	9,421	648	904
Other expenses	4,526	119	398
Total expenses from continuing operations	29,142	1,428	2,375
Operating result from continuing operations	7,120	7,412	(26)
Net operating result for the year	7,120	7,412	(26)
Net operating result attributable to each council fund	7,120	7,412	(26)
Net operating result for the year before grants and contributions provided for capital purposes	(381)	19	(47)

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	1,235	4,566	2,505
Investments	38,500	–	–
Receivables	4,111	566	955
Inventories	973	–	–
Other	104	–	–
Total current assets	44,923	5,132	3,460
Non-current assets			
Investments	161	–	–
Receivables	1,056	69	172
Inventories	41	–	–
Infrastructure, property, plant and equipment	491,774	35,927	40,572
Investments accounted for using the equity method	24,761	–	–
Intangible assets	99	–	–
Other	282	–	–
Total non-current assets	518,174	35,996	40,744
TOTAL ASSETS	563,097	41,128	44,204
LIABILITIES			
Current liabilities			
Payables	3,399	63	18
Income received in advance	297	–	–
Borrowings	–	–	219
Provisions	3,655	–	–
Total current liabilities	7,351	63	237
Non-current liabilities			
Payables	58	–	–
Borrowings	(1)	–	1,687
Provisions	1,631	–	–
Total non-current liabilities	1,688	–	1,687
TOTAL LIABILITIES	9,039	63	1,924
Net assets	554,058	41,065	42,280
EQUITY			
Accumulated surplus	318,252	25,260	24,780
Revaluation reserves	235,645	15,805	17,500
Other reserves	161	–	–
Council equity interest	554,058	41,065	42,280
Total equity	554,058	41,065	42,280

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(1,008)	(3.16)%	4.18%	15.36%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	31,937				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	23,093	49.29%	57.24%	56.49%	>60.00%
Total continuing operating revenue ¹	46,852				
3. Unrestricted current ratio					
Current assets less all external restrictions	32,896	7.05x	5.71x	7.78x	>1.50x
Current liabilities less specific purpose liabilities	4,667				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10,100	29.45x	35.46x	46.02x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	343				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	979	6.53%	5.26%	5.56%	<10.00%
Rates, annual and extra charges collectible	14,981				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	46,806	19.76 mths	24.29 mths	18.40 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	2,368				

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General Indicators 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}	(3.48)%	4.76%	1.31%	16.91%	(2.02)%	(12.55)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	54.40%	58.98%	16.30%	29.88%	95.83%	86.48%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	7.05x	5.71x	81.46x	2.11x	14.60x	12.88x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	37.75x	1,180.89x	∞	∞	8.20x	2.53x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	7.90%	5.11%	0.00%	9.03%	0.00%	5.30%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	16.78	21.89	∞	∞	∞	∞	>3.00
Payments from cash flow of operating and financing activities	mths	mths					mths

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

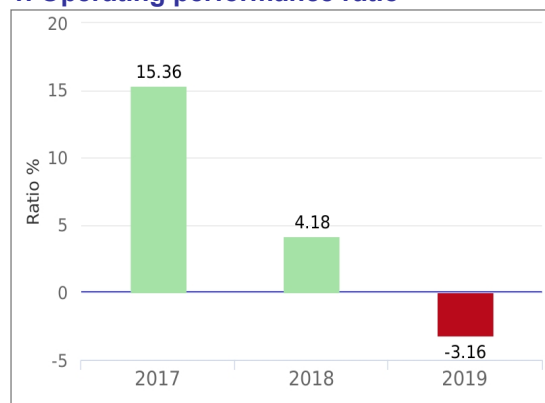
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio (3.16)%

Council has fallen below the benchmark during the 2018/19 year, mainly due to the breakup of the funding income was predominately capital in nature, therefore affecting this ratio.

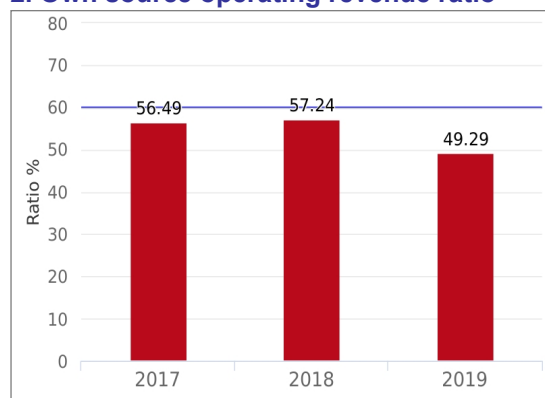
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2018/19 result

2018/19 ratio 49.29%

Council has not met this benchmark for this financial year. This is mainly due to the high reliance of external grant funding received by Council.

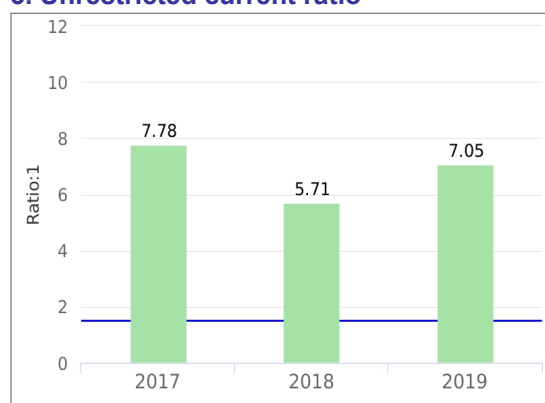
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2018/19 result

2018/19 ratio 7.05x

The is ratio indicates that Council has the ability to meet its short term obligations as they fall due.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

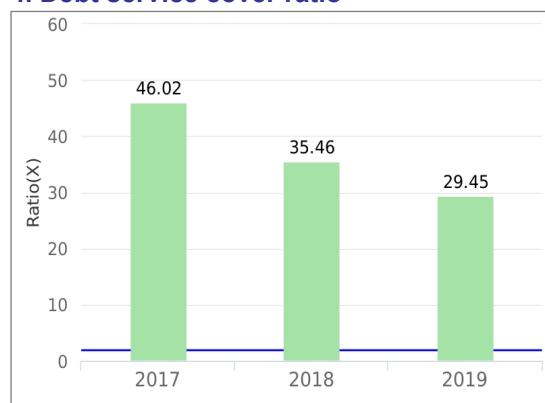
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 29.45x

Council did not draw down any new borrowings during the year, however the decline in the ratio is due to the high amount of capital income affecting the calculation of this ratio.

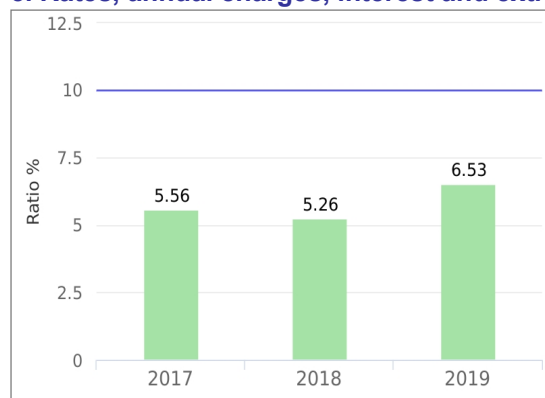
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2018/19 result

2018/19 ratio 6.53%

Council has continued to meet this benchmark and continues to effectively manage debt recovery.

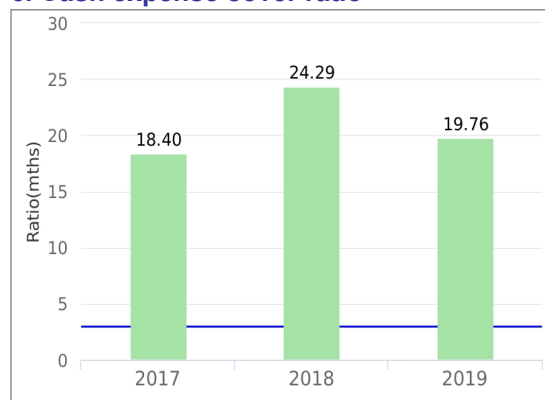
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2018/19 result

2018/19 ratio 19.76 mths

Council again has met the benchmark for this ratio, and reflects the strong liquidity that Council has.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26. Council information and contact details

Principal place of business:

99 -101 Bank Street
Molong NSW 2866

Mailing Address:

PO Box 17
Molong NSW 2866

Telephone: 02 6392 3200

Facsimile: 02 6392 3260

Opening hours:

9:00am - 5:00pm
Monday to Friday

Internet: www.cabonne.nsw.gov.au

Email: council@cabonne.nsw.gov.au

Officers

General Manager

Bradley Byrnes

Responsible Accounting Officer

Luke Taberner

Public Officer

Luke Taberner

Auditors

Audit Office of NSW
Level 15, 1 Margaret Street
SYDNEY NSW 2001

Elected members

Mayor

Kevin Beatty

Councillors

Anthony Durkin
Gregory Treavers
Peter Batten
Cheryl Newson
Kevin Walker
Paul Mullins
Jennifer Weaver
Marlene Nash
Elizabeth Oldham
Ian Davidson
Jamie Jones

Other information

ABN: 419 929 192 00



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Cabonne Council

To the Councillors of the Cabonne Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

21 October 2019
SYDNEY

Cr Kevin Beatty
Mayor
Cabonne Council
PO Box 17
MOLONG NSW 2866

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: D1924801/1704

21 October 2019

Dear Mayor

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





I have audited the general purpose financial statements (GPFS) of Cabonne 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 \$m	2018 \$m	Variance %
Rates and annual charges revenue	14.28	13.81	 3.4
Grants and contributions revenue	23.60	17.79	 32.7
Operating result for the year	14.51	8.73	 66.2
Net operating result before capital grants and contributions	(0.41)	2.14	 119.2

Rates and annual charges revenue (\$14.3 million) increased by \$0.5 million (3.4 per cent) in 2018–2019. This increase was higher than the approved rate pegging of 2.3 per cent, however ordinary rates only increased by 1.6 per cent with annual charges contributing to the higher overall percentage increase.

Grants and contributions revenue (\$23.6 million) increased by \$5.8 million in 2018–2019 due to:

- \$0.6 million received in grants under the Drought Communities Funding Program which was used for both operational and capital works
- \$7.39 million capital grant received from the State government under the restart NSW program for the construction of a pipeline connecting Cabonne to the Orange City Council water network.

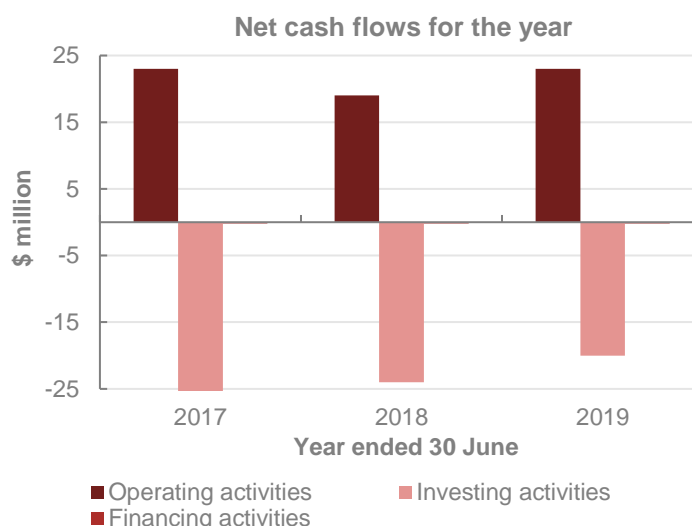
Council's operating result (\$14.5 million including the effect of depreciation and amortisation expense of \$11.0 million) was \$5.8 million higher than the 2017–18 result. The main reason for this movement was an increase in grants and contributions provided for capital purposes of \$8.3 million.

The net operating result before capital grants and contributions (\$0.4 million deficit) was \$2.6 million lower than the 2017–18 result.

Because of the sizeable capital grant for water infrastructure, the operating surplus was generated equally from the General Fund (\$7.1 million) and Water Fund (\$7.4 million) with the Sewer Fund recording a small operating deficit (\$26,000).

STATEMENT OF CASH FLOWS

The increase in grants and contributions was the main contributor to the increase in cash flows from operating activities over the prior year



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	18.5	15.6	Externally restricted balances include unexpended developer contributions, water, sewer and domestic waste management charges.
Internal restrictions	26.7	27.1	
Unrestricted	1.8	2.6	
Cash and investments	47.0	45.3	Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.

Debt

At 30 June 2019, Council had external borrowings of \$1.9 million (30 June 2018: \$2.1 million). The loans are secured over Council's general rating income.

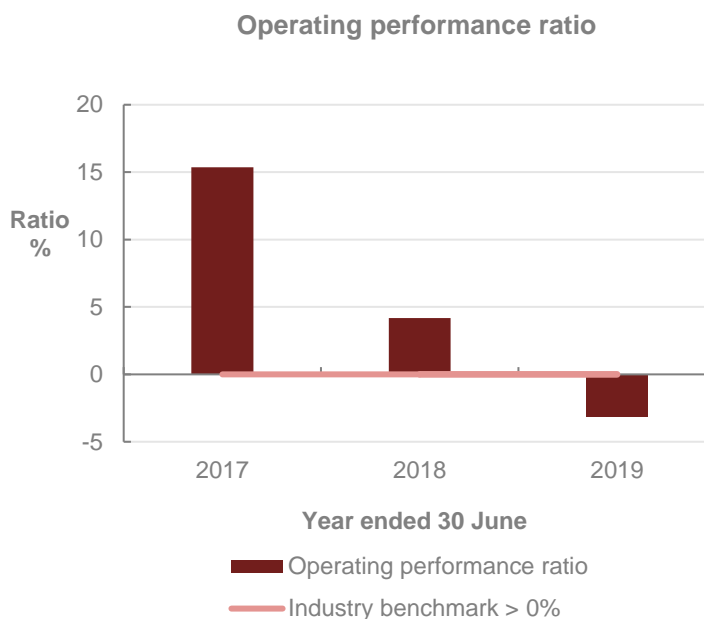
At 30 June 2019, Council also had access to a \$450,000 (30 June 2018: \$450,000) bank overdraft facility. This facility was unused at year end.

PERFORMANCE

Operating performance ratio

Council has fallen marginally below the benchmark during the current year. Mainly because of higher capital grants and contributions.

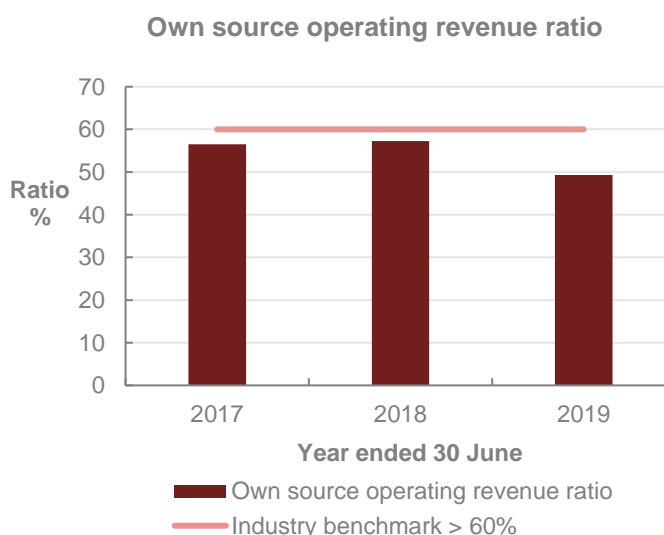
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

The relatively high level of grants and contributions received by Council during the year have seen this ratio continue to remain below the benchmark. Council's own source operating revenue has remained consistent in terms of dollar value.

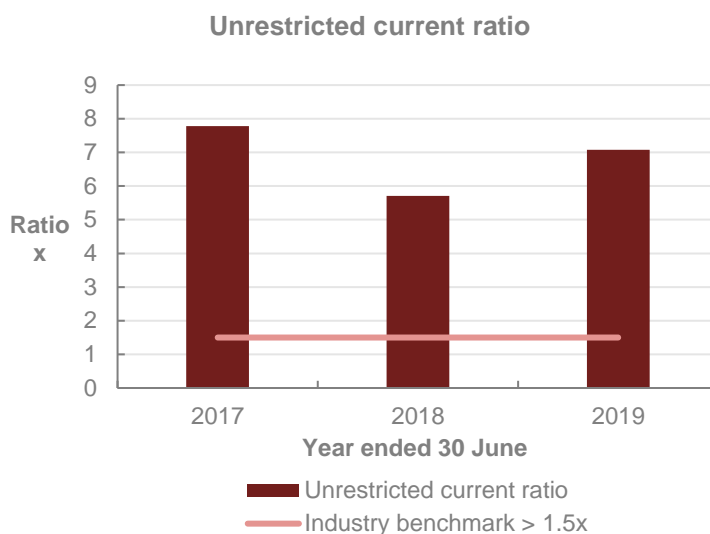
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

Council's unrestricted current ratio continues to exceed the industry benchmark

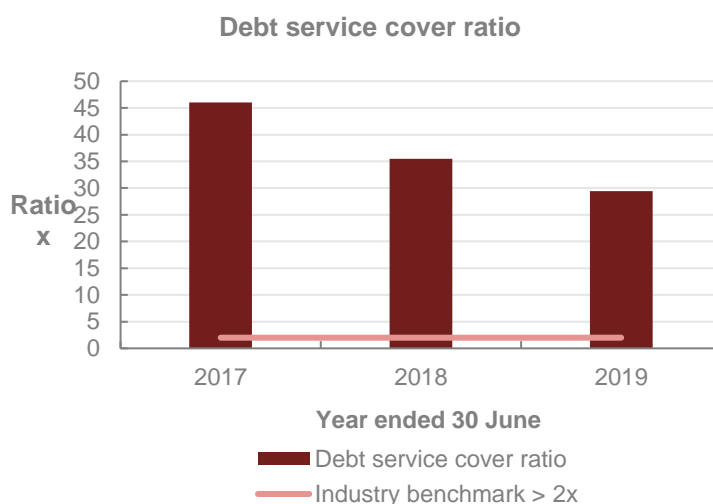
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

Council has not drawn any new borrowings during the year, so the decline in this ratio is attributable to the increased capital funding resulting in a comparatively lower level of operating income compared to the prior year.

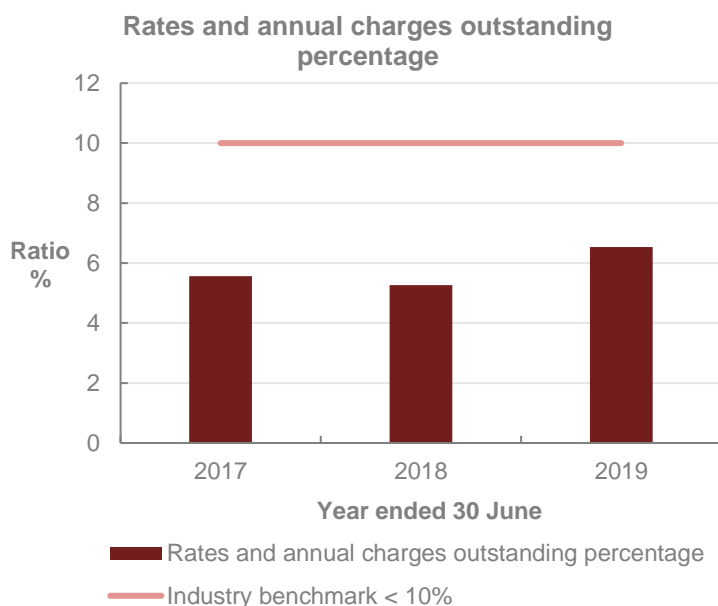
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

Whilst this ratio has increased slightly over the prior year, Council has continued to effectively manage its recovery, maintaining a ratio which is well below the benchmark for rural councils.

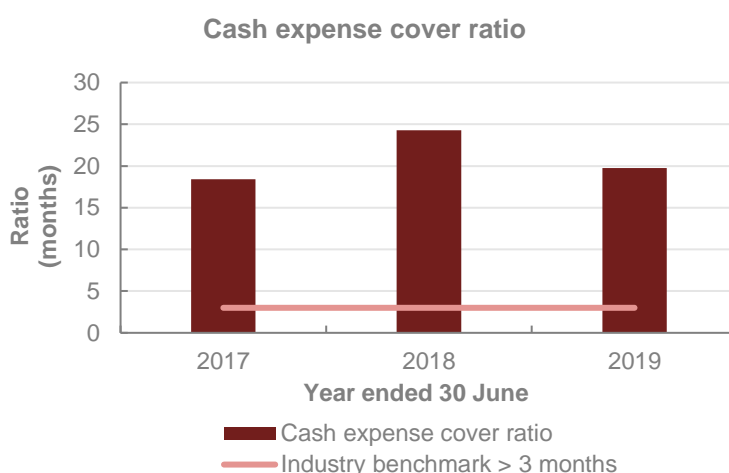
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council's strong liquidity is reflected by this measure. Council has comfortably exceeded the benchmark and has done so for several years.

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



Infrastructure, property, plant and equipment renewals

Council has renewed \$5.1 million of assets in the 2018–19 financial year compared to \$9.5 million in the 2017–18 financial year. The decrease is primarily due to higher capital grants and contributions received during the year, much of which was applied to construction of new assets, including the pipeline.

The unaudited infrastructure renewals ratio was 58.3 per cent compared to 117.1 per cent in the prior year (benchmark set by OLG is 100).

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> • a simplified model for classifying and measuring financial assets • a new method for calculating impairment • a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures due to AASB 9. Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 14.</p>

Legislative compliance

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

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



Karen Taylor

Delegate of the Auditor-General for New South Wales

Cabonne Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2019

“Cabonne Council is committed to providing sustainable local government to our rural communities through consultation and sound financial management which will ensure equitable resource allocation.”



Special Purpose Financial Statements

for the year ended 30 June 2019

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Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Cabonne Council

Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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


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



Kevin Beatty
Mayor
27 August 2019



Anthony Durkin
Councillor
27 August 2019



Bradley Byrnes
General Manager
27 August 2019



Luke Taberner
Responsible Accounting Officer
27 August 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	513	465
User charges	856	886
Interest	68	72
Grants and contributions provided for non-capital purposes	6	63
Other income	4	4
Total income from continuing operations	1,447	1,490
Expenses from continuing operations		
Employee benefits and on-costs	342	298
Materials and contracts	319	307
Depreciation, amortisation and impairment	648	537
Other expenses	119	96
Total expenses from continuing operations	1,428	1,238
Surplus (deficit) from continuing operations before capital amounts	19	252
Grants and contributions provided for capital purposes	7,393	3,286
Surplus (deficit) from continuing operations after capital amounts	7,412	3,538
Surplus (deficit) from all operations before tax	7,412	3,538
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(5)	(76)
SURPLUS (DEFICIT) AFTER TAX	7,407	3,462
Plus accumulated surplus	17,848	14,310
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	5	76
Closing accumulated surplus	25,260	17,848
Return on capital %	0.1%	0.8%
Subsidy from Council	455	559
Calculation of dividend payable:		
Surplus (deficit) after tax	7,407	3,462
Less: capital grants and contributions (excluding developer contributions)	(7,393)	(3,286)
Surplus for dividend calculation purposes	14	176
Potential dividend calculated from surplus	7	88

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	2,083	1,850
User charges	85	144
Interest	76	65
Grants and contributions provided for non-capital purposes	77	151
Other income	7	13
Total income from continuing operations	2,328	2,223
Expenses from continuing operations		
Employee benefits and on-costs	433	448
Borrowing costs	119	133
Materials and contracts	521	629
Depreciation, amortisation and impairment	904	999
Other expenses	398	293
Total expenses from continuing operations	2,375	2,502
Surplus (deficit) from continuing operations before capital amounts	(47)	(279)
Grants and contributions provided for capital purposes	21	173
Surplus (deficit) from continuing operations after capital amounts	(26)	(106)
Surplus (deficit) from all operations before tax	(26)	(106)
SURPLUS (DEFICIT) AFTER TAX	(26)	(106)
Plus accumulated surplus	24,806	24,912
Closing accumulated surplus	24,780	24,806
Return on capital %	0.2%	(0.4)%
Subsidy from Council	464	1,211
Calculation of dividend payable:		
Surplus (deficit) after tax	(26)	(106)
Less: capital grants and contributions (excluding developer contributions)	(21)	(173)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	4,566	1,916
Receivables	566	2,739
Other	–	8
Total current assets	5,132	4,663
Non-current assets		
Receivables	69	49
Infrastructure, property, plant and equipment	35,927	30,837
Total non-current assets	35,996	30,886
TOTAL ASSETS	41,128	35,549
LIABILITIES		
Current liabilities		
Payables	63	2,212
Total current liabilities	63	2,212
TOTAL LIABILITIES	63	2,212
NET ASSETS	41,065	33,337
EQUITY		
Accumulated surplus	25,260	17,848
Revaluation reserves	15,805	15,489
TOTAL EQUITY	41,065	33,337

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	2,505	2,552
Receivables	955	733
Total current assets	3,460	3,285
Non-current assets		
Receivables	172	161
Infrastructure, property, plant and equipment	40,572	40,497
Total non-current assets	40,744	40,658
TOTAL ASSETS	44,204	43,943
LIABILITIES		
Current liabilities		
Payables	18	48
Borrowings	219	207
Total current liabilities	237	255
Non-current liabilities		
Borrowings	1,687	1,906
Total non-current liabilities	1,687	1,906
TOTAL LIABILITIES	1,924	2,161
NET ASSETS	42,280	41,782
EQUITY		
Accumulated surplus	24,780	24,806
Revaluation reserves	17,500	16,976
TOTAL EQUITY	42,280	41,782

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)

Cabonne Council Combined Sewerage Supplies

Sewerage reticulation and treatment operations servicing the towns of Molong, Eugowra, Canowindra, Cudal, Yeoval, Cumnock and Manildra.

These are reported under two special rate funds:

- Cabonne Sewer Fund, servicing the towns of Molong, Canowindra and Eugowra, and
- Small Town Sewer Fund, servicing the towns of Manildra, Cudal, Cumnock and Yeoval

Category 2

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

Cabonne Council Combined Water Supplies

Water supply operations servicing the towns of Molong, Yeoval and Cumnock, established as a combined special rate fund.

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.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

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

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

Achievement of substantial compliance to the DoI – 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 not 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 Department of Industry – Water guidelines and must not exceed:

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

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

Special Purpose Financial Statements
for the year ended 30 June 2019



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Cabonne Council

To the Councillors of the Cabonne Council

Opinion

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

The declared business activities of the Council are:

- Water Supply
- Sewerage.

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.



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

21 October 2019
SYDNEY

Cabonne Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

“Cabonne Council is committed to providing sustainable local government to our rural communities through consultation and sound financial management which will ensure equitable resource allocation.”



Special Schedules

for the year ended 30 June 2019

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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	10,135	9,917
Plus or minus adjustments ²	b	7	(4)
Notional general income	c = a + b	10,142	9,913
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	i = e x (c + g)	274	228
Sub-total	k = (c + g + h + i + j)	10,416	10,141
Plus (or minus) last year's carry forward total	l	4	2
Less valuation objections claimed in the previous year	m	—	(4)
Sub-total	n = (l + m)	4	(2)
Total permissible income	o = k + n	10,420	10,139
Less notional general income yield	p	10,418	10,135
Catch-up or (excess) result	q = o - p	2	4
Carry forward to next year ⁶	t = q + r + s	2	4

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.
- (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

Cabonne Council

To the Councillors of Cabonne Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Cabonne 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.



Karen Taylor
Director, Financial Audit Services

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	Buildings	17,902	5,786	114	81	33,770	73,779	22.0%	11.0%	36.0%	30.0%	1.0%
	Buildings – non-specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	17,902	5,786	114	81	33,770	73,779	22.0%	11.0%	36.0%	30.0%	1.0%
Other structures	Other structures	1,827	58	–	–	5,792	11,552	14.0%	24.0%	60.0%	2.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	1,827	58	–	–	5,792	11,552	14.0%	24.0%	60.0%	2.0%	0.0%
Roads	Sealed roads	4,329	393	1,832	1,885	133,329	152,183	32.0%	58.0%	9.0%	1.0%	0.0%
	Unsealed roads	6,892	2,060	1,630	1,496	11,928	–	5.0%	27.0%	43.0%	21.0%	0.0%
	Bridges	4,407	1,763	50	–	46,548	58,817	40.0%	42.0%	8.0%	8.0%	2.0%
	Footpaths	612	62	104	104	4,173	7,177	10.0%	44.0%	43.0%	2.0%	1.0%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	148,408	148,409	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Gutter	1,789	235	13	61	6,903	–	7.0%	40.0%	46.0%	6.0%	0.0%
	Road Structure	179	46	–	–	1,017	–	44.0%	22.0%	24.0%	8.0%	0.0%
	Sub-total	18,208	4,559	3,629	3,546	352,306	366,586	60.4%	31.7%	5.9%	1.7%	0.3%
Water supply network	Water supply network	10,501	3,593	624	623	20,648	45,039	0.0%	0.0%	0.0%	0.0%	100.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	10,501	3,593	624	623	20,648	45,039	0.0%	0.0%	0.0%	0.0%	100.0%
Sewerage network	Sewerage network	6,591	2,045	950	756	32,697	46,617	0.0%	0.0%	0.0%	0.0%	100.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	6,591	2,045	950	756	32,697	46,617	0.0%	0.0%	0.0%	0.0%	100.0%
Stormwater drainage	Stormwater drainage	1,145	1,145	15	9	50,586	63,336	0.0%	0.0%	0.0%	0.0%	100.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	1,145	1,145	15	9	50,586	63,336	0.0%	0.0%	0.0%	0.0%	100.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	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				
		Estimated cost to bring assets to satisfactory standard						1	2	3	4	5
Open space / recreational assets	Swimming pools	2,392	—	263	370	7,575	9,621	0.0%	0.0%	100.0%	0.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Open Spaces	828	—	—	—	—	—	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	3,220	—	263	370	7,575	9,621	0.0%	0.0%	100.0%	0.0%	0.0%
Other infrastructure assets	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	100.0%
TOTAL - ALL ASSETS		59,394	17,186	5,595	5,385	503,374	616,530	38.8%	20.6%	10.5%	4.7%	25.4%

(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	5,008	58.27%	117.05%	135.99%	>=100.00%
Depreciation, amortisation and impairment	8,595				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	59,394	11.80%	11.94%	3.60%	<2.00%
Net carrying amount of infrastructure assets	503,374				
Asset maintenance ratio					
Actual asset maintenance	5,385	96.25%	96.33%	117.81%	>100.00%
Required asset maintenance	5,595				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	17,186	2.79%	2.60%	1.95%	
Gross replacement cost	616,530				

(*) 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.