

Lockhart Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019



Lockhart
Shire Council

Lockhart Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



Lockhart
Shire Council

General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

65 Green Street
LOCKHART NSW 2656

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.lockhart.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.

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 21 October 2019.



Clr Rodger Schirmer
Mayor
21 October 2019



Clr Greg Verdon
Councillor
21 October 2019



Peter Veneris
General Manager
21 October 2019



Craig Fletcher
Responsible Accounting Officer
21 October 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>				
3,363	Rates and annual charges	3a	3,352	3,216
468	User charges and fees	3b	693	408
110	Interest and investment revenue	3c	227	173
203	Other revenues	3d	242	247
8,665	Grants and contributions provided for operating purposes	3e,3f	6,780	6,535
1,180	Grants and contributions provided for capital purposes	3e,3f	2,082	1,082
<u>Other income:</u>				
–	Net share of interests in joint ventures and associates using the equity method	14	8	5
13,989	Total income from continuing operations		13,384	11,666
Expenses from continuing operations				
2,675	Employee benefits and on-costs	4a	3,356	2,823
185	Borrowing costs	4b	194	74
2,601	Materials and contracts	4c	2,050	2,350
3,099	Depreciation and amortisation	4d	3,384	3,174
1,195	Other expenses	4e	1,234	1,266
–	Net losses from the disposal of assets	5	635	142
9,755	Total expenses from continuing operations		10,853	9,829
4,234	Operating result from continuing operations		2,531	1,837
4,234	Net operating result for the year		2,531	1,837
4,234	Net operating result attributable to council		2,531	1,837
3,054	Net operating result for the year before grants and contributions provided for capital purposes		449	755

(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)		2,531	1,837
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	(1,800)	3,048
Other comprehensive income – joint ventures and associates	14	(1)	1
Total items which will not be reclassified subsequently to the operating result		(1,801)	3,049
Total other comprehensive income for the year		(1,801)	3,049
Total comprehensive income for the year		730	4,886
Total comprehensive income attributable to Council		730	4,886

(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)	8,284	11,503
Receivables	7	432	302
Inventories	8a	2,349	2,290
Other	8b	5	8
Total current assets		<u>11,070</u>	<u>14,103</u>
Non-current assets			
Receivables	7	49	62
Inventories	8a	8	8
Infrastructure, property, plant and equipment	9	228,797	225,203
Investments accounted for using the equity method	14	152	145
Total non-current assets		<u>229,006</u>	<u>225,418</u>
TOTAL ASSETS		<u>240,076</u>	<u>239,521</u>
LIABILITIES			
Current liabilities			
Payables	10	804	860
Income received in advance	10	58	58
Borrowings	10	154	157
Provisions	11	961	924
Total current liabilities		<u>1,977</u>	<u>1,999</u>
Non-current liabilities			
Payables	10	2	2
Borrowings	10	3,673	3,828
Provisions	11	63	61
Total non-current liabilities		<u>3,738</u>	<u>3,891</u>
TOTAL LIABILITIES		<u>5,715</u>	<u>5,890</u>
Net assets		<u>234,361</u>	<u>233,631</u>
EQUITY			
Accumulated surplus	12	210,363	207,833
Revaluation reserves	12	23,998	25,798
Council equity interest		<u>234,361</u>	<u>233,631</u>
Total equity		<u>234,361</u>	<u>233,631</u>

(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	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		207,833	25,798	233,631	205,995	22,750	228,745
Opening balance		207,833	25,798	233,631	205,995	22,750	228,745
Net operating result for the year		2,531	–	2,531	1,837	–	1,837
Net operating result for the period		2,531	–	2,531	1,837	–	1,837
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	(1,800)	(1,800)	–	3,048	3,048
– Joint ventures and associates	14	(1)	–	(1)	1	–	1
Other comprehensive income		(1)	(1,800)	(1,801)	1	3,048	3,049
Total comprehensive income		2,530	(1,800)	730	1,838	3,048	4,886
Equity – balance at end of the reporting period		210,363	23,998	234,361	207,833	25,798	233,631

(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>				
3,363	Rates and annual charges		3,328	3,181
468	User charges and fees		733	447
110	Investment and interest revenue received		197	174
9,845	Grants and contributions		8,878	9,991
–	Bonds, deposits and retention amounts received		42	57
203	Other		1,026	1,147
<u>Payments</u>				
(3,587)	Employee benefits and on-costs		(3,338)	(2,785)
(1,648)	Materials and contracts		(2,596)	(2,975)
(185)	Borrowing costs		(194)	(74)
(1,195)	Other		(1,954)	(1,445)
7,374	Net cash provided (or used in) operating activities	13b	6,122	7,718
Cash flows from investing activities				
<u>Receipts</u>				
–	Sale of investment securities		4,050	6,300
–	Sale of real estate assets		184	427
276	Sale of infrastructure, property, plant and equipment		276	481
9	Deferred debtors receipts		13	6
<u>Payments</u>				
–	Purchase of investment securities		(4,050)	(6,300)
(11,471)	Purchase of infrastructure, property, plant and equipment		(9,595)	(7,514)
–	Purchase of real estate assets		(61)	(456)
(11,186)	Net cash provided (or used in) investing activities		(9,183)	(7,056)
Cash flows from financing activities				
<u>Receipts</u>				
–	Proceeds from borrowings and advances		–	3,200
<u>Payments</u>				
(147)	Repayment of borrowings and advances		(158)	(36)
(147)	Net cash flow provided (used in) financing activities		(158)	3,164
(3,959)	Net increase/(decrease) in cash and cash equivalents		(3,219)	3,826
11,502	Plus: cash and cash equivalents – beginning of year	13a	11,503	7,677
7,543	Cash and cash equivalents – end of the year	13a	8,284	11,503
Additional Information:				
7,543	Total cash, cash equivalents and investments		8,284	11,503

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 21 October 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

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

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2018.

The adoption of AASB 9 has impacted the following areas:

Classification and measurement of financial assets

AASB 9 allows for three classification categories for financial assets – amortised cost, fair value through other comprehensive income and fair value through profit or loss. Classification is based on the business model in which a financial asset is managed and the related contractual cashflows. AASB 9 eliminates previous categories of held to maturity, loans and receivables and available for sale. Classification of financial liabilities is largely unchanged.

All financial assets and financial liabilities of Council have remained at amortised cost.

Impairment of financial assets

Council's financial assets carried at amortised cost are now subject to AASB 9's new three-stage expected credit loss model, from an incurred loss model. This means earlier recognition of expected credit losses.

Council has reviewed its receivables and does not anticipate losses greater than the current provision for impairment. The majority of receivables other than rates and charges are current and due from government. Rates and charges are secured against the property. As such, there was no transitional adjustment required as at 1 July 2018.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9.
- (ii) employee benefit provisions – refer Note 11.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

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
Sewerage service
The Rock Showground Management Committee

Due to their immaterial value and nature, the following Committees Entities & Operations have been excluded from consolidation:

Bidgeemia Hall Committee
Lockhart & District Historical Society
Lockhart Recreation Ground Management Committee
Lockhart Showground & Racecourse Management Committee
The Rock Hall and Museum Committee
The Rock Recreation Ground Management Committee
Magnolia Lodge Tenancy Advisory Committee
Milbrulong Hall Committee
Tootool Recreation Reserve Committee
Tootool Roadside Rest Stop Committee
Tourism & Economic Development Committee
Osborne Recreation Ground Management Committee
Pleasant Hill Recreation Ground Management Committee
Pleasant Hills Hall Committee
Yerong Creek Hall Committee
Yerong Creek Recreation Ground Management Committee

The (i) total income and expenditure from continuing operations and (ii) net assets held by these excluded committees and operations is as follows:

Total income from continuing operations \$245,000

Total expenditure from continuing operations \$229,000

Total net assets held (i.e. equity) \$217,000

Note: Where actual figures are not known, best estimates have been applied.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

(b) The Trust Fund

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

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

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

- Prichard Trust.

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been adopted early by Council. The new standards, AASB 16, AASB 15 & AASB 1058 are all effective for Council for the 30 June 2020 reporting period, with transition on 1 July 2019.

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

AASB 16 Leases

AASB 16 requires that all leases should be accounted for on the lessee's accounts similar to the finance lease accounting treatment. The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 – Leases.

This means recognition of right-of-use assets with the corresponding liability for the present value of minimum lease payments. Accounting treatment of the assets leased out to external parties (lessor's perspective) have not changed and is treated similar to the currently used AASB 117. The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 – Leases.

Council has examined the impact of adopting this new accounting standard and determined that the impact will be immaterial from adoption on 1 July 2019.

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

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

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

Councils has assessed each revenue stream particularly the impact expected for grant income and rates which are paid before the commencement of the rating period.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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 majority of capital grants are paid in arrears based on actual expenditure and therefore council will have met all obligations prior to receiving the grant payment. There were however a number of grants, totalling \$212,850 under the Stronger Country Communities program which were unspent at 30 June 2019 and under the terms of the funding agreement would be shown as a liability and the income taken up when the works have been completed.

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 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										
Governance	–	–	188	180	(188)	(180)	–	–	–	–
Administration	164	69	2,521	1,899	(2,357)	(1,830)	104	20	11,546	14,390
Public Order & Safety	55	28	252	226	(197)	(198)	55	28	734	767
Environment	1,786	1,530	861	1,382	925	148	1,080	903	722	715
Community Services & Education	179	151	154	153	25	(2)	41	23	–	–
Housing & Community Amenities	130	130	231	224	(101)	(94)	–	–	3,724	2,768
Sewerage Services	509	480	607	530	(98)	(50)	–	11	12,266	12,601
Recreation & Culture	1,142	633	1,337	1,052	(195)	(419)	1,053	627	10,708	7,724
Mining, manufacturing and construction	2	4	19	13	(17)	(9)	–	–	–	–
Transport and communication	2,778	2,858	4,225	3,959	(1,447)	(1,101)	1,217	1,525	196,470	196,402
Economic Affairs	400	153	458	211	(58)	(58)	23	12	3,861	4,109
General purpose income	6,231	5,625	–	–	6,231	5,625	3,675	3,156	–	–
Other	8	5	–	–	8	5	–	2	45	45
Total functions and activities	13,384	11,666	10,853	9,829	2,531	1,837	7,248	6,307	240,076	239,521

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:

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children services, including out of school care service; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

SEWERAGE SERVICES

Includes the provision of reticulated sewerage and common effluent services.

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Includes quarries and pits, mineral resources.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	379	369
Farmland	1,933	1,890
Business	103	101
Less: pensioner rebates (mandatory)	(32)	(34)
Rates levied to ratepayers	2,383	2,326
Pensioner rate subsidies received	17	19
Total ordinary rates	2,400	2,345
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	389	361
Sewerage services	483	441
Waste management services (non-domestic)	104	94
Less: pensioner rebates (mandatory)	(54)	(57)
Annual charges levied	922	839
Pensioner subsidies received:		
– Sewerage	10	11
– Domestic waste management	20	21
Total annual charges	952	871
TOTAL RATES AND ANNUAL CHARGES	3,352	3,216

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		
<small>(per s.502 - specific 'actual use' charges)</small>		
Sewerage services	12	16
Total specific user charges	12	16
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	17	–
Planning and building regulation	34	40
Private works – section 67	260	38
Section 10.7 certificates (EP&A Act)	6	6
Section 603 certificates	6	6
Town planning	33	17
Tipping fees	35	41
Total fees and charges – statutory/regulatory	391	148
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Caravan park	83	69
Cemeteries	45	37
Fire and emergency services levy (FESL) implementation	–	3
Quarry revenues	2	4
RockOOSH fees	138	128
Scrap metal sales – from tips	18	–
Other	4	3
Total fees and charges – other	290	244
TOTAL USER CHARGES AND FEES	693	408

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	14	13
– Cash and investments	213	160
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>227</u>	<u>173</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	11	13
General Council cash and investments	191	111
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	3	18
Sewerage fund operations	22	31
Total interest and investment revenue	<u>227</u>	<u>173</u>

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		
Rental income – other council properties	123	119
Diesel rebate	52	64
Garbage bins sales	5	4
CDS Share Kurrajong Recycling Funding	12	–
Employee contribution to vehicle	6	6
Foodshop inspection	2	2
Insurance policy rebates/dividend	27	25
Magnolia entry fees	–	10
Other	15	17
<u>TOTAL OTHER REVENUE</u>	<u>242</u>	<u>247</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.

Fines are recognised as revenue when the fine has been paid.

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

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

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

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	1,128	913	–	–
Financial assistance – local roads component	676	528	–	–
Payment in advance - future year allocation				
Financial assistance – general component	1,158	1,087	–	–
Financial assistance – local roads component	713	628	–	–
Total general purpose	3,675	3,156	–	–
Specific purpose				
Bushfire and emergency services	18	1	–	–
Employment and training programs	7	1	–	–
Environmental programs	–	–	817	448
Heritage and cultural	5	5	–	–
Library	22	24	–	–
Noxious weeds	60	53	–	–
Street lighting	4	4	–	–
Transport (roads to recovery)	741	1,411	–	–
Transport (fixing country roads)	–	–	462	50
Back to business grant	5	5	–	–
Country passenger transport grant	–	–	10	10
Fire protection – hazard reduction	36	27	–	–
Food & Organics Grant	60	–	–	–
Flood mitigation voluntary purchase	16	433	–	–
Galore hill grant	7	–	–	–
Heavy vehicle safety & productivity programme	–	–	–	50
Heritage fund submission	4	6	–	–
Local lands service – galore hill grants	10	–	–	–
Lockhart Show ground – Pavillion upgrade	28	–	–	–
NSWEPA Project Improvement Program	111	–	–	–
Other	29	–	–	–
Museum advisor	10	10	–	–
Heritage Local Projects	97	–	–	–
Museum upgrade	73	5	–	–
RockOOSH sustainability grants	35	21	–	–
Everyone Can Play Grant	15	–	–	–
Youth activities	6	3	–	–
Museum Cultural Hub	–	25	–	–
Stronger Country Communities Pools	–	–	504	504
Gym Equipment	–	–	–	20
Community Building Partnership – Osborne	–	28	–	–
Regional Arts – Water Tower Mural	18	7	–	–
Crown Land Management Plan	74	–	–	–
Stronger Country Community Fund Rd2	–	–	289	–
Total specific purpose	1,491	2,069	2,082	1,082
Total grants	5,166	5,225	2,082	1,082

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
Grant revenue is attributable to:				
– Commonwealth funding	4,451	3,156	–	70
– State funding	687	2,019	2,082	1,012
– Other funding	28	50	–	–
	<u>5,166</u>	<u>5,225</u>	<u>2,082</u>	<u>1,082</u>

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 & s7.12 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.12 – fixed development consent levies		22	41	–	–
Total developer contributions – cash		22	41	–	–
Total developer contributions	21	22	41	–	–
Other contributions:					
Cash contributions					
RMS contributions (regional roads, block grant)		894	874	–	–
Other		28	–	–	–
Pedestrian access and mobility plan		–	68	–	–
RMS RRRP grant		195	158	–	–
RMS regional roads traffic facilities		70	68	–	–
RMS regional roads supplementary		101	101	–	–
RMS Drought Relief Heavy Vehicles		249	–	–	–
The Rock Observatory		55	–	–	–
Total other contributions – cash		1,592	1,269	–	–
Total other contributions		1,592	1,269	–	–
Total contributions		1,614	1,310	–	–
TOTAL GRANTS AND CONTRIBUTIONS		6,780	6,535	2,082	1,082

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	58	96
Add: operating grants recognised in the current period but not yet spent	214	42
Less: operating grants recognised in a previous reporting period now spent	(58)	(80)
Unexpended and held as restricted assets (operating grants)	214	58
Capital grants		
Unexpended at the close of the previous reporting period	–	–
Add: capital grants recognised in the current period but not yet spent	213	–
Unexpended and held as restricted assets (capital grants)	213	–
Contributions		
Unexpended at the close of the previous reporting period	273	214
Add: contributions recognised in the current period but not yet spent	80	59
Unexpended and held as restricted assets (contributions)	353	273

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	3,108	3,043
Travel expenses	105	85
Employee leave entitlements (ELE)	479	404
Superannuation	355	339
Workers' compensation insurance	122	163
Fringe benefit tax (FBT)	50	42
Training costs (other than salaries and wages)	54	31
Protective clothing	18	14
Other	18	17
Total employee costs	4,309	4,138
Less: capitalised costs	(953)	(1,315)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>3,356</u>	<u>2,823</u>
Number of 'full-time equivalent' employees (FTE) at year end	51	51

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

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

Interest on loans	194	74
Total interest bearing liability costs expensed	194	74
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>194</u>	<u>74</u>

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	1,894	2,267
Contractor and consultancy costs	105	54
Auditors remuneration ²	51	27
Legal expenses:		
– Legal expenses: other	–	2
Total materials and contracts	<u>2,050</u>	<u>2,350</u>
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>2,050</u>	<u>2,350</u>

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	29	27
Remuneration for audit and other assurance services	<u>29</u>	<u>27</u>
Total Auditor-General remuneration	<u>29</u>	<u>27</u>

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

Internal Audit	22	–
Remuneration for audit and other assurance services	<u>22</u>	<u>–</u>
Total remuneration of non NSW Auditor-General audit firms	<u>22</u>	<u>–</u>
Total Auditor remuneration	<u>51</u>	<u>27</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment	595	532
Office equipment	16	27
Furniture and fittings	8	8
Infrastructure:		
– Buildings – non-specialised	101	58
– Buildings – specialised	290	187
– Other structures	8	8
– Roads	2,008	1,952
– Bridges	43	36
– Footpaths	34	34
– Stormwater drainage	6	6
– Sewerage network	209	194
– Swimming pools	3	53
– Other open space/recreational assets	63	79
Total gross depreciation and amortisation costs	3,384	3,174
Total depreciation and amortisation costs	3,384	3,174
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E	3,384	3,174

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.

Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	18	17
Bank charges	16	15
Cleaning	16	16
Computer software and maintenance	116	87
Contributions/levies to other levels of government		
– Emergency services levy	4	5
– NSW fire brigade levy	17	17
– NSW rural fire service levy	157	161
– Contribution – noxious weeds	–	3
– Contribution – REROC	18	17
– Contribution – Riverina Regional Library	112	108
– Contribution – sec 355 committees	59	52
– Contribution – sec 356	61	46
– Other contributions/levies	4	4
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	94	91
Councillors' expenses (incl. mayor) – other (excluding fees above)	21	18
DCP, S94 and S64 plans updates	–	3
Electricity and heating	99	81
Fire control expenses	1	1
Insurance	131	133
Newsletter	10	15
Office supplies and stationery	15	17
Postage	13	13
Printing and photocopying	37	44
Subscriptions and memberships	42	41
Telephone and communications	40	46
Tourism expenses (excluding employee costs)	46	43
Valuation fees	26	26
Other (Bad & Doubtful Debts)	–	95
Other	35	26
Total other expenses	1,234	1,266
TOTAL OTHER EXPENSES	1,234	1,266

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		276	481
Less: carrying amount of plant and equipment assets sold/written off		(294)	(416)
Net gain/(loss) on disposal		<u>(18)</u>	<u>65</u>
Infrastructure	9		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(547)	(425)
Net gain/(loss) on disposal		<u>(547)</u>	<u>(425)</u>
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		184	427
Less: carrying amount of real estate assets sold/written off		(254)	(209)
Net gain/(loss) on disposal		<u>(70)</u>	<u>218</u>
Investments			
Proceeds from disposal/redemptions/maturities – investments		4,050	6,300
Less: carrying amount of investments sold/redeemed/matured		(4,050)	(6,300)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		<u>(635)</u>	<u>(142)</u>

Accounting policy for disposal of assets

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

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	834	1,353
Cash-equivalent assets		
– Deposits at call	1,500	2,900
– Short-term deposits	5,950	7,250
Total cash and cash equivalents	<u>8,284</u>	<u>11,503</u>

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	8,284	–	11,503	–
attributable to:				
External restrictions	2,567	–	2,401	–
Internal restrictions	5,548	–	7,162	–
Unrestricted	169	–	1,940	–
	<u>8,284</u>	<u>–</u>	<u>11,503</u>	<u>–</u>

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	112	267
Developer contributions – sewer fund	6	6
Specific purpose unexpended grants	427	58
Sewerage services	1,967	2,070
Other	55	–

External restrictions – other

<u>2,567</u>	<u>2,401</u>
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Total external restrictions

<u>2,567</u>	<u>2,401</u>
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Internal restrictions

Plant and vehicle replacement	13	13
Employees leave entitlement	741	741
Systems & IT Improvements	217	160
Advance financial assistance – general	1,158	1,087
Advance financial assistance – roads	713	628
Economic development	75	75
Future election expenses	12	6
Galore hill reserve	16	16
Lockhart recreation ground	10	10
Buildings	134	115
Rehabilitation Reserve	239	237
Disaster Recovery	385	374
Future Infrastructure Development	1,000	1,500
Borrowed Funds – Pools	828	2,200
Community Financial Assist S356	7	–

Total internal restrictions

<u>5,548</u>	<u>7,162</u>
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TOTAL RESTRICTIONS

<u>8,115</u>	<u>9,563</u>
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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	238	–	214	–
User charges and fees	16	–	6	–
Accrued revenues				
– Interest on investments	38	–	8	–
Deferred debtors	13	49	13	62
Other debtors	127	–	156	–
Total	432	49	397	62
Less: provision of impairment				
Other debtors	–	–	(95)	–
Total provision for impairment – receivables	–	–	(95)	–
TOTAL NET RECEIVABLES	432	49	302	62

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	95	–
+ new provisions recognised during the year	–	95
– amounts already provided for and written off this year	(95)	–
Balance at the end of the period	–	95

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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.

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.

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	1,904	8	2,121	8
Stores and materials	445	–	169	–
Total inventories at cost	2,349	8	2,290	8
TOTAL INVENTORIES	2,349	8	2,290	8
(b) Other assets				
Prepayments	5	–	8	–
TOTAL OTHER ASSETS	5	–	8	–

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		1,268	8	1,485	8
Industrial/commercial		636	–	636	–
Total real estate for resale		1,904	8	2,121	8
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		1,444	8	1,665	8
Development costs		460	–	456	–
Total costs		1,904	8	2,121	8
Total real estate for resale		1,904	8	2,121	8
Movements:					
Real estate assets at beginning of the year		2,121	8	1,563	355
– Purchases and other costs		61	–	456	–
– Transfers in from (out to) Note 9		(24)	–	(36)	–
– WDV of sales (expense)	5	(254)	–	(209)	–
– Transfer between current/non-current		–	–	347	(347)
Total real estate for resale		1,904	8	2,121	8

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

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
(b) Current assets not anticipated to be settled within the next 12 months		
Real estate for resale	1,043	1,508
	<u>1,043</u>	<u>1,508</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

	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	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 8)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount	
\$ '000																
Capital work in progress	2,568	–	2,568	–	1,256	–	–	(2,113)	–	–	–	–	1,711	–	1,711	
Plant and equipment	6,250	(2,198)	4,052	–	1,056	(294)	(595)	–	–	–	–	–	6,649	(2,430)	4,219	
Office equipment	197	(108)	89	–	45	–	(16)	–	–	–	–	–	242	(124)	118	
Furniture and fittings	152	(94)	58	–	2	–	(8)	–	–	–	–	–	154	(102)	52	
Land:																
– Operational land	1,529	–	1,529	–	–	–	–	–	18	24	–	2	1,573	–	1,573	
– Community land	1,940	–	1,940	–	–	–	–	–	(18)	–	–	25	1,947	–	1,947	
Infrastructure:																
– Buildings – non-specialised	6,617	(2,077)	4,540	–	39	–	(101)	–	–	–	–	–	6,656	(2,178)	4,478	
– Buildings – specialised	14,004	(6,687)	7,317	644	285	(39)	(290)	127	–	–	–	–	14,850	(6,806)	8,044	
– Other structures	298	(92)	206	–	17	–	(8)	–	–	–	–	–	315	(100)	215	
– Roads	212,237	(30,872)	181,365	1,839	615	(483)	(2,008)	–	–	–	(1,442)	–	212,072	(32,186)	179,886	
– Bridges	3,653	(1,376)	2,277	525	680	–	(43)	–	–	–	(253)	–	4,853	(1,667)	3,186	
– Footpaths	1,756	(767)	989	–	–	(23)	(34)	–	–	–	–	46	1,774	(796)	978	
– Bulk earthworks (non-depreciable)	7,080	–	7,080	–	–	–	–	–	–	–	–	–	7,080	–	7,080	
– Stormwater drainage	1,182	(93)	1,089	–	978	–	(6)	–	–	–	–	–	2,160	(99)	2,061	
– Sewerage network	15,541	(6,348)	9,193	–	117	–	(209)	1,286	–	–	(158)	–	16,754	(6,525)	10,229	
– Swimming pools	1,864	(1,829)	35	1,407	–	(2)	(3)	700	–	–	–	–	2,911	(774)	2,137	
– Other open space/recreational assets	2,618	(1,742)	876	–	90	–	(63)	–	–	–	(20)	–	2,674	(1,791)	883	
Total Infrastructure, property, plant and equipment	279,486	(54,283)	225,203	4,415	5,180	(841)	(3,384)	–	–	24	(1,873)	73	284,375	(55,578)	228,797	

(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)

	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	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 8)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	176	–	176	–	2,392	–	–	–	–	–	–	2,568	–	2,568
Plant and equipment	5,913	(2,195)	3,718	–	1,202	(336)	(532)	–	–	–	–	6,250	(2,198)	4,052
Office equipment	379	(280)	99	–	33	(16)	(27)	–	–	–	–	197	(108)	89
Furniture and fittings	152	(86)	66	–	–	–	(8)	–	–	–	–	152	(94)	58
Land:														
– Operational land	1,031	–	1,031	–	–	–	–	(32)	36	–	494	1,529	–	1,529
– Community land	1,907	–	1,907	–	1	–	–	32	–	–	–	1,940	–	1,940
Infrastructure:														
– Buildings – non-specialised	2,813	(988)	1,825	–	38	(16)	(58)	2,144	–	–	607	6,617	(2,077)	4,540
– Buildings – specialised	11,149	(4,355)	6,794	–	81	(52)	(187)	(1,908)	–	–	2,589	14,004	(6,687)	7,317
– Other structures	403	(134)	269	–	23	–	(8)	(78)	–	–	–	298	(92)	206
– Roads	211,089	(29,265)	181,824	1,490	1,584	(421)	(1,952)	(70)	–	(1,090)	–	212,237	(30,872)	181,365
– Bridges	3,653	(1,339)	2,314	–	–	–	(36)	36	–	(37)	–	3,653	(1,376)	2,277
– Footpaths	1,739	(735)	1,004	–	–	–	(34)	34	–	(15)	–	1,756	(767)	989
– Bulk earthworks (non-depreciable)	7,198	–	7,198	–	–	–	–	–	–	(118)	–	7,080	–	7,080
– Stormwater drainage	600	(87)	513	–	583	–	(6)	(1)	–	–	–	1,182	(93)	1,089
– Sewerage network	14,454	(5,685)	8,769	–	–	–	(194)	–	–	–	618	15,541	(6,348)	9,193
– Swimming pools	2,369	(2,182)	187	–	–	–	(53)	(99)	–	–	–	1,864	(1,829)	35
– Other open space/recreational assets	2,323	(1,476)	847	–	87	–	(79)	21	–	–	–	2,618	(1,742)	876
Other assets:														
– Other	106	(27)	79	–	–	–	–	(79)	–	–	–	–	–	–
Total Infrastructure, property, plant and equipment	267,454	(48,834)	218,620	1,490	6,024	(841)	(3,174)	–	36	(1,260)	4,308	279,486	(54,283)	225,203

(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.

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

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

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

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

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

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

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

Land under roads

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Crown reserves

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

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

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise Rural Fire Service assets of land and buildings. Plant and vehicles of the Rural Fire Service have not been recorded.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	698	2	798	2
Accrued expenses:				
Security bonds, deposits and retentions	104	–	62	–
Other	2	–	–	–
Total payables	804	2	860	2
Income received in advance				
Payments received in advance	58	–	58	–
Total income received in advance	58	–	58	–
Borrowings				
Loans – secured ¹	154	3,673	157	3,828
Total borrowings	154	3,673	157	3,828
TOTAL PAYABLES AND BORROWINGS	1,016	3,675	1,075	3,830

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

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

(a) 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	–	–
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(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	3,985	(158)	–	–	–	3,827
TOTAL	3,985	(158)	–	–	–	3,827

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	821	3,164	–	–	–	3,985
TOTAL	821	3,164	–	–	–	3,985

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

\$ '000	2019	2018
(c) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Credit cards/purchase cards	15	15
Total financing arrangements	15	15
Drawn facilities as at balance date:		
– Credit cards/purchase cards	7	–
Total drawn financing arrangements	7	–
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	8	15
Total undrawn financing arrangements	8	15

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	362	–	365	–
Long service leave	548	61	507	59
ELE on-costs	51	2	52	2
Sub-total – aggregate employee benefits	961	63	924	61
TOTAL PROVISIONS	961	63	924	61

\$ '000	2019	2018
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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	583	662
	583	662

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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.

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	8,284	11,503
Balance as per the Statement of Cash Flows		8,284	11,503
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		2,531	1,837
Adjust for non-cash items:			
Depreciation and amortisation		3,384	3,174
Net losses/(gains) on disposal of assets		635	142
Share of net (profits)/losses of associates/joint ventures using the equity method		(8)	(5)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(35)	2,231
Increase/(decrease) in provision for impairment of receivables		(95)	95
Decrease/(increase) in inventories		(276)	91
Decrease/(increase) in other current assets		3	1
Increase/(decrease) in payables		(100)	36
Increase/(decrease) in other liabilities		44	57
Increase/(decrease) in provision for employee benefits		39	59
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		6,122	7,718

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	8	5	152	145
Total	8	5	152	145

Joint arrangements

(i) Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2019	2018
			Riverina Regional Library	Joint venture
Total carrying amounts – material joint ventures			152	145

(b) Details

	Principal activity	Place of business
Riverina Regional Library	Provision of Library Services	Lockhart Pleasant Hills The Rock Yerong Creek

(c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
Riverina Regional Library	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities (continued)

\$ '000	Riverina Regional Library	
	2019	2018
(d) Summarised financial information for joint ventures		
Statement of financial position		
Current assets		
Cash and cash equivalents	2,651	2,275
Other current assets	26	17
Non-current assets	2,742	2,816
Current liabilities		
Other current liabilities	939	854
Non-current liabilities		
Non-current liabilities	3	2
Net assets	4,477	4,252
Reconciliation of the carrying amount		
Opening net assets (1 July)	4,252	4,100
Profit/(loss) for the period	225	152
Closing net assets	4,477	4,252
Council's share of net assets (%)	3.4%	3.4%
Council's share of net assets (\$)	152	145
Statement of comprehensive income		
Income	2,954	2,876
Interest income	26	25
Depreciation and amortisation	(828)	(781)
Interest expense	(10)	(8)
Employee Benefits & On-Costs	(1,379)	(1,278)
Other expenses	(538)	(682)
Profit/(loss) from continuing operations	225	152
Profit/(loss) for the period	225	152
Total comprehensive income	225	152
Share of income – Council (%)	3.4%	3.4%
Profit/(loss) – Council (\$)	8	5
Total comprehensive income – Council (\$)	8	5

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Swimming Pools	343	2,284
Buildings – Specialised	–	738
Drainage – Flood Mitigation	1,011	811
Total commitments	1,354	3,833
These expenditures are payable as follows:		
Within the next year	1,354	2,355
Later than one year and not later than 5 years	–	1,478
Total payable	1,354	3,833
Sources for funding of capital commitments:		
Future grants and contributions-Pools	118	1,529
Future Grants - Flood Mitigation	727	744
Section 7.11 and 64 funds/reserves	15	–
Internally restricted reserves-Pools	40	859
Internal Restricted Reserve-Flood Mitigation	284	124
Unexpended loans	170	577
Total sources of funding	1,354	3,833

Details of capital commitments

The Rock pool upgrade works are continuing and will be finalised in the 2019 season. Stage 2 Lockhart Flood Mitigation program will be completed in the 2020 financial year.

(b) Operating lease commitments (non-cancellable)**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	30	45
Later than one year and not later than 5 years	96	45
Total non-cancellable operating lease commitments	126	90

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

Council has an agreement for all printers and photocopiers at various locations which includes copier charges and consumables.

Conditions relating to finance and operating leases:

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

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

Description of the funding arrangements.

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

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

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members.
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$40,087. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018 and covers the period ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

The amount of additional contributions included in the total employer contribution advised above is \$16,300. Council's expected contribution to the plan for the next annual reporting period is \$36,133.

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

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

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

Based on a Past Service Liabilities methodology, the share of the surplus that can be attributed to Council is 0.04%

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

2. Other liabilities

(i) Third party claims

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

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

(ii) 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.

(iii) Rehabilitation of tips and quarries

The rehabilitation of Council's tips and quarries is being considered by Council, with a long term plan being developed. Council is of the view any rehabilitation work will not be required for another ten or more years. Council is placing funds in Reserve for the future acquisition of land and rehabilitation of existing sites.

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 17. Financial risk management

Risk management

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

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

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

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

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

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

Council's finance area manages the cash and Investments portfolio.

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether the 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	75	75	(75)	(75)
2018				
Possible impact of a 1% movement in interest rates	66	66	(66)	(66)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

Council makes suitable provision for doubtful receivables as required.

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	159	38	13	18	10	238
2018						
Gross carrying amount	166	22	10	12	4	214

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	1	96	81	3	62	243
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2018						
Gross carrying amount	137	3	2	8	95	245
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	100.00%	38.78%
ECL provision	–	–	–	–	95	95

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	104	702	–	–	806	806
Loans and advances	4.42%	–	331	1,324	3,890	5,545	3,827
Total financial liabilities		104	1,033	1,324	3,890	6,351	4,633
2018							
Trade/other payables	0.00%	62	800	–	–	862	862
Loans and advances	4.42%	–	331	1,324	4,221	5,876	3,985
Total financial liabilities		62	1,131	1,324	4,221	6,738	4,847

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

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

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	3,363	3,352	(11)	0% U
User charges and fees	468	693	225	48% F
Council had two Private Works that totalled approx \$243K, which were not budgeted.				
Interest and investment revenue	110	227	117	106% F
Council drew down on its TCorp borrowings earlier than planned and drew down the total borrowings, which increased available funds to invest. This in combination with the fact that actual interest rates were slightly more favourable than used for budget estimates, resulted in more interest income.				
Other revenues	203	242	39	19% F
The majority of the over budget was due to an extra \$15K in Insurance Rebates, \$8K extra on dog registrations and \$12K in CDS Kurrajong Recycling Share Funding rebate not budgeted.				
Operating grants and contributions	8,665	6,780	(1,885)	(22)% U
The variance in Operating grants is attributed to two majority factors, firstly for Stronger Country Communities Grant the amount budgeted was \$1.5M amount while received in FY was \$504K. Also, Fixing Country Roads budget was \$960K while received \$461K. The second issue is in Council's adopted Budget, Stronger Country Communities Fund, Fixing Country Roads were classified as Operating, however in Year End Statements they have been classified as Capital Grants.				
Capital grants and contributions	1,180	2,082	902	76% F
The Office of Environment & Heritage was the only grant classified as Capital in Council's adopted budget. In the Year End Statements, the Stronger Country Communities Fund and Fixing Country Roads grants were also classed as Capital, ie moved to Capital grants resulting in the variance.				
Joint ventures and associates – net profits	–	8	8	∞ F
EXPENSES				
Employee benefits and on-costs	2,675	3,356	(681)	(25)% U
The adopted budget only captures those general ledger accounts that are isolated to only containing salaries. Those general ledger accounts that contain a mix of salaries, plant and creditors (ie all the roads maintenance, parks & gardens etc) are captured in Materials & Contracts in the budget. However, for these Statements, total salaries is recorded under Employee Benefits & On-costs.				
Borrowing costs	185	194	(9)	(5)% U

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Materials and contracts	2,601	2,050	551	21% F
In Council's adopted Budget, Materials & Contracts includes the majority of the works and parks & gardens salaries. However, for Year End Statements the salary component of Materials & Contracts is extracted and moved to Employee Benefits & On-Costs, thereby creating a variance from Budget to Actual.				
Depreciation and amortisation	3,099	3,384	(285)	(9)% U
Other expenses	1,195	1,234	(39)	(3)% U
Net losses from disposal of assets	-	635	(635)	∞ U

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	7,374	6,122	(1,252)	(17)% U
The unfavourable variance from operating activities is mainly attributable to combined total of operating and capital grants that were included in Council's budget that were not received during the financial year.				
Net cash provided from (used in) investing activities	(11,186)	(9,183)	2,003	(18)% F
Actual purchases of infrastructure, property, plant and equipment were down approximately \$2M as the full cost of the upgrade to pools were included in the adopted Budget, however approximately \$2M of works had been done in the previous year and was being held in WIP.				
Net cash provided from (used in) financing activities	(147)	(158)	(11)	7% U

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9					
Plant and equipment		30/06/18	–	–	4,219	4,219
Office equipment		30/06/18	–	–	118	118
Furniture and fittings		30/06/18	–	–	52	52
Operational land		30/06/18	–	1,573	–	1,573
Community land		30/06/17	–	–	1,947	1,947
Buildings – non-specialised		30/06/18	–	4,478	–	4,478
Buildings – specialised		30/06/18	–	–	8,044	8,044
Other structures		30/06/16	–	–	215	215
Roads		30/06/15	–	–	179,886	179,886
Bridges		30/06/15	–	–	3,186	3,186
Footpaths		30/06/15	–	–	978	978
Bulk earthworks		30/06/15	–	–	7,080	7,080
Stormwater drainage		30/06/17	–	–	2,061	2,061
Sewerage network		30/06/17	–	–	10,229	10,229
Swimming pools		30/06/16	–	–	2,137	2,137
Other open space/recreational assets		30/06/16	–	–	883	883
Total infrastructure, property, plant and equipment			–	6,051	221,035	227,086

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9					
Plant and equipment		30/06/18	–	–	4,052	4,052
Office equipment		30/06/18	–	–	89	89
Furniture and fittings		30/06/18	–	–	58	58
Operational land		30/06/18	–	1,529	–	1,529
Community land		30/06/17	–	–	1,940	1,940
Buildings – non-specialised		30/06/18	–	4,540	–	4,540
Buildings – specialised		30/06/18	–	–	7,317	7,317
Other structures		30/06/16	–	–	206	206
Roads		30/06/15	–	–	181,365	181,365
Bridges		30/06/15	–	–	2,277	2,277
Footpaths		30/06/15	–	–	989	989
Bulk earthworks		30/06/15	–	–	7,080	7,080
Stormwater drainage		30/06/17	–	–	1,089	1,089
Sewerage network		30/06/17	–	–	9,193	9,193
Swimming pools		30/06/16	–	–	35	35
Other open space/recreational assets		30/06/16	–	–	876	876
Total infrastructure, property, plant and equipment			–	6,069	216,566	222,635

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

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

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

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

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

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

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

Council's Plant and equipment incorporates:

- Major plants – Graders, Loaders, Rollers, Trucks, tractors.
- Fleet Vehicles – Cars, Utes etc.
- Minor Plant – Pumps, Chainsaws, brush cutters, mowers, concrete mixers.

Council fair values plant and equipment using Level 3 inputs. The observable Level 3 inputs used:

- Quoted price for similar assets
- Purchase price
- Useful life of asset
- Current replacement Cost

The 'Cost Approach' is used to value Plant & Equipment.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

Furniture & Fittings

Council's Furniture & Fittings incorporates:

- Furniture and fittings – Desks, Chairs, Display Systems

Council fair values furniture fittings using Level 3 inputs. The observable Level 3 inputs used include:

- Quoted prices for similar assets
- Current replacement cost
- Purchase prices
- Useful life on asset

The 'Cost Approach' is used to value Furniture & Fittings.

Office Equipment

Council's Office Equipment incorporates:

- Office Equipment: workstations, chairs, bookshelves etc.

Council fair values office equipment using Level 3 inputs. The observable Level 3 inputs used include:

- Quoted prices for similar assets
- Current replacement cost
- Purchase prices
- Useful life on asset

The 'Cost Approach' is used to value Office Equipment.

Infrastructure – Roads

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter and would include any paved makers parking places as well as alongside roadside.

Council's Road Asset Data contains detailed dimensions and specification for all Council roads. Council fair values, road infrastructure using Level 3 inputs at a component level.

The 'Unit Rate Approach' is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's Asset System. (BizeAssets)

Level of componentisation adopted by Council is in accordance with AASB 116, OLG Circular 09-09 and the Institute of Public Work Engineers International Infrastructure Management Manual (IIMM)

The unobservable Level 3 inputs used include:

- Components
- Useful life and residual value
- Asset Condition
- Dimensions and Specification
- Remaining Life of Carriageway
- Unit Rates.

There were no changes in valuation technique from prior year. A desktop valuation was performed this year.

Infrastructure – Bridges

A bridge is defined as all structures greater than 6m in trafficable length that convey a road, a footpath or a cycleway across any other physical feature (including waterways and other roads).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

Council Road Asset Data contains detailed dimensions and specification for all Council's bridges. Council fair values, bridges (non- componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Components
- Residual value
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition, the value of bridges takes into consideration the various type of structures such as:

- Bridge Deck/ Superstructure
- Bridge Abutments/Foundations
- Bridge rails and hand rails

There were no changes in valuation technique from prior year. The 'Unit Rate Approach' is used to value bridges. A desktop valuation was performed this year.

Infrastructure – Footpaths

A footpath is defined as all footways (including those shared with a cycleway) sealed or non-sealed, located within Council's road reserve. Council Road Asset Data contains detailed dimensions and specifications for all Council footpaths.

Council fair values, footpaths (non-componentised) using Level 3 inputs. The unobservable Level 3 input used include:

- Components
- Residual value
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition, the value of footpaths takes into consideration the various type of structure such as:

- Length
- Construction Materials

The 'Unit Rate Approach' is used to value footpaths. A desktop valuation was performed this year.

Infrastructure – Drainage

Council's Drainage Assets comprise pits, pipes, culverts, open channels, headwalls used to collect and remove stormwater. Council carries fair values drainages assets (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Components
- Residual value
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition, the value of drainage assets takes into consideration the various type of structure such as

- Pipe Diameter
- Pit Type
- Water Quality Device Type
- Culverts and Headwall Constructions Type.

The 'Unit Rates Approach' is used to value drainage assets. A desktop valuation was performed this year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

Property – Operational Land

Council's "Operational" land, by definition, has no special restriction other than those that may apply to any piece of land.

Council fair values operational land using an External Valuer every 5 years (last valuation being 2018) using Level 2 inputs. The unobservable Level 2 inputs used include:

- Land Area
- Rate per square Metre
- Planning and Other Restrictions
- Description of Land

The 'Market Approach' is used to value the Operational Land.

Property – Community Land

Council's "Community" land (including land owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition 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, dedication under section 94 of the Environment 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.

In relation to Community Land the Office of Local Government has reviewed its positions on the use of the Valuer General's Valuations of community land and in association with the Local Government Accounting Advisory Group, the Division has determined that community land may be valued as follows.

- The NSW Valuer General's valuations may be used under revaluation model to represent fair value for the revaluation of community land under clause 31 of AASB 116.
- Council fair values community land using unobservable Level 3 inputs based on inputs on either the UCV (Unimproved Capital Value) provided by the Valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the Valuer General did not provide a UCV.

The 'Cost Approach' is used to value Community land.

Property – Buildings (Specialised and non-Specialised)

Council Buildings incorporates Council administration buildings, Public Amenities, Sporting Club Rooms, Depot Buildings and workshops and public halls, Rural Fire Service Buildings and Council Caravan Park.

Council carries fair values of non-specialised buildings using Level 2 inputs and carries fair values of specialised buildings using Level 3. Valuations are generally carried out by an external Valuer, this approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking in to account a range of factors. Buildings are physically inspected, and unit rates based on square metres and could be supported from the market evidence, extensive professional judgement, and condition and consumption rates etc. impact significantly on the final value determination of fair value. As such these assets are classified as having being valued using Level 3 inputs for specialised buildings and Level 2 inputs for non-specialised buildings.

The unobservable Level 3 inputs used include:

- Condition
- Useful Life of an asset

The 'Cost Approach' is used to value specialised buildings.

Other Structures, Swimming Pools, Open Space & Recreation:

Council's other structures incorporates the following types of assets;

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

- Significant single assets such as swimming pools, playgrounds, floodlighting system, tennis courts, tennis shelters, etc. and
- Aggregated lower value assets such as recreational / park infrastructures (picnic tables, seats, bollards, fences, BBQs, irrigation systems etc.)

Council carries fair value of other structures assets (non-componentised) using Level 3 inputs. Such valuations are undertaken by Council Staff or by an external valuer depending on the structure.

The unobservable Level 3 inputs used include:

- Residual Value
- Asset Condition
- Components
- Dimensions and specifications
- Unit Rates.

The “Unit Rates Approach” is used to value other structures.

Sewerage Network

Council’s Sewerage Network incorporates:

- Sewer Lines
- Pump Stations
- Vent Stacks
- Sewer Treatment Plant
- Recycle Water System

Council carries fair value of waste water supply assets using Level 3 inputs. Such valuations are undertaken by Council Staff using the NSW Office of Water Reference Rates Manual.

The unobservable Level 3 inputs used include:

- Residual Value
- Asset Condition
- Components
- Dimensions and specifications
- Unit Rates.

The “Unit Rates Approach” is used to value the sewerage network.

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

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

\$ '000	Total IPP&E
2018	
Opening balance	215,588
Purchases (GBV)	5,084
Disposals (WDV)	(825)
Depreciation and impairment	(3,116)
FV gains – other comprehensive income	(165)
Closing balance	216,566
2019	
Opening balance	216,566
Transfers from/(to) level 2 FV hierarchy	(18)
Purchases (GBV)	10,413

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Total IPP&E
Disposals (WDV)	(841)
Depreciation and impairment	(3,283)
FV gains – other comprehensive income	(1,802)
Closing balance	221,035

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

A parcel of land at The Rock was incorrectly categorised as Community Land upon acquisition and was transferred to Operational Land.

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			
Plant, equipment, furniture, fittings and office equipment	4,389	Cost used to approximate fair value	Gross replacement cost, useful life and residual value
Community Land	1,947	Land values obtained from the NSW Valuer General	Land value, land area
Specialised buildings	8,044	Cost used to approximate fair value	Gross replacement cost, useful life and residual value, asset condition
Other structures	215	Cost used to approximate fair value	Gross replacement cost, useful life and residual value, asset condition
Roads, bridges, footpaths, bulkworks	191,130	Unit rates per sq metre or length	Asset condition, unit rate and dimensions, remaining lives
Stormwater drainage	2,061	Cost used to approximate fair value	Asset condition and remaining lives, gross replacement cost, residual value
Sewerage Network	10,229	Cost used to approximate fair value	Asset condition and remaining lives, gross replacement cost, residual value
Swimming Pools	2,137	Cost used to approximate fair value	Asset condition and remaining lives, gross replacement cost, residual value
Other open space/recreational assets	883	Cost used to approximate fair value	Asset condition and remaining lives, gross replacement cost, residual value

d. The valuation process for level 3 fair value measurements

Council assesses the expertise required for the valuation of all asset classes in determining who will undertake the valuations. All asset classes with the exception of Operational and Community Land are undertaken by suitably qualified and experienced council officers. External valuers may also be engaged from time to time as management see fit. Land is valued using the Valuer General valuations. Management reviews the valuation reports for consistency and accuracy and to ensure all valuations are current.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	727	706
Post-employment benefits	224	170
Other long-term benefits	14	14
Total	965	890

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	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
2019					
Mayor Schirmer / MWS Fabrication	79	–	Creditor 30 day account	–	–
Councillor Rockliff / Lockhart Newsagency	13	–	Creditor 30 day account	–	–
2018					
Mayor Schirmer / MWS Fabrication	40	–	Creditor 30 day account	–	–
Councillor Rockliff / Lockhart Newsagency	8	–	Creditor 30 day account	–	–

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

Note 21. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Community facilities	262	22	–	3	(180)	–	107	–
Halls	5	–	–	–	–	–	5	–
S7.11 contributions – under a plan	267	22	–	3	(180)	–	112	–
Total S7.11 and S7.12 revenue under plans	267	22	–	3	(180)	–	112	–
S64 contributions	6	–	–	–	–	–	6	–
Total contributions	273	22	–	3	(180)	–	118	–

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

Note 21. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					

S7.11 Contributions – under a plan

CONTRIBUTION PLAN - COUNCIL WIDE S94A CONTRIBUTIONS

Community facilities	262	22	–	3	(180)	–	107	–
Halls	5	–	–	–	–	–	5	–
Total	267	22	–	3	(180)	–	112	–

S64 contributions

S64 Contributions

Other	6	–	–	–	–	–	6	–
Total	6	–	–	–	–	–	6	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund

\$ '000	General ¹ 2019	Sewer 2019
Income Statement by fund		
Income from continuing operations		
Rates and annual charges	2,878	474
User charges and fees	680	13
Interest and investment revenue	205	22
Other revenues	242	–
Grants and contributions provided for operating purposes	6,780	–
Grants and contributions provided for capital purposes	2,082	–
Other income		
Share of interests in joint ventures and associates using the equity method	8	–
Total income from continuing operations	12,875	509
Expenses from continuing operations		
Employee benefits and on-costs	3,254	102
Borrowing costs	152	42
Materials and contracts	1,839	211
Depreciation and amortisation	3,175	209
Other expenses	1,192	42
Net losses from the disposal of assets	635	–
Total expenses from continuing operations	10,247	606
Operating result from continuing operations	2,628	(97)
Net operating result for the year	2,628	(97)
Net operating result attributable to each council fund	2,628	(97)
Net operating result for the year before grants and contributions provided for capital purposes	546	(97)

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General ¹ 2019	Sewer 2019
Statement of Financial Position by fund		
ASSETS		
Current assets		
Cash and cash equivalents	6,311	1,973
Receivables	368	64
Inventories	2,349	–
Other	5	–
Total current assets	9,033	2,037
Non-current assets		
Receivables	49	–
Inventories	8	–
Infrastructure, property, plant and equipment	218,568	10,229
Investments accounted for using the equity method	152	–
Total non-current assets	218,777	10,229
TOTAL ASSETS	227,810	12,266
LIABILITIES		
Current liabilities		
Payables	804	–
Income received in advance	58	–
Borrowings	119	35
Provisions	956	5
Total current liabilities	1,937	40
Non-current liabilities		
Payables	2	–
Borrowings	2,745	928
Provisions	61	2
Total non-current liabilities	2,808	930
TOTAL LIABILITIES	4,745	970
Net assets	223,065	11,296
EQUITY		
Accumulated surplus	202,992	7,371
Revaluation reserves	20,073	3,925
Council equity interest	223,065	11,296
Total equity	223,065	11,296

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	1,076				
Total continuing operating revenue excluding capital grants and contributions ¹	11,294	9.53%	8.43%	40.57%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	4,467				
Total continuing operating revenue ¹	13,376	33.40%	34.24%	23.33%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions	7,396				
Current liabilities less specific purpose liabilities	1,354	5.46x	8.10x	8.02x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4,654				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	352	13.22x	37.64x	100.60x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	238				
Rates, annual and extra charges collectible	3,533	6.74%	6.44%	4.48%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	8,284				
Monthly payments from cash flow of operating and financing activities	687	12.06 mths	18.87 mths	11.30 mths	>3.00 mths

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

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

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

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

\$ '000	General Indicators ³		Sewer Indicators		Benchmark
	2019	2018	2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	10.88%	9.34%	(19.06)%	(9.80)%	>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	30.84%	31.40%	98.04%	97.80%	>60.00%
Total continuing operating revenue ¹					
3. Unrestricted current ratio					
Current assets less all external restrictions	5.46x	8.10x	50.78x	25.18x	>1.50x
Current liabilities less specific purpose liabilities					
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	16.48x	37.65x	1.95x	37.25x	>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	5.89%	5.93%	11.76%	9.73%	<10.00%
Rates, annual and extra charges collectible					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	9.70	16.25	54.43	70.17	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths

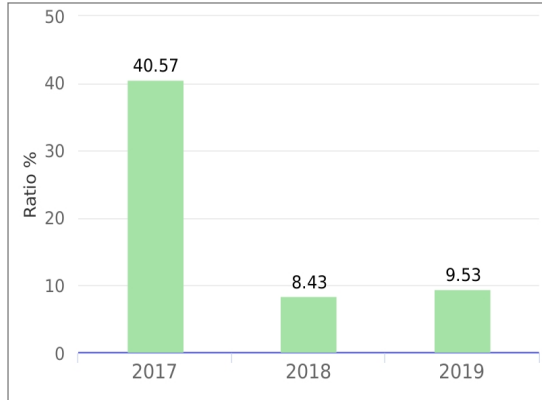
(1) - (2) Refer to Notes at Note 28a above.

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

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

Note 23(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	9.53%
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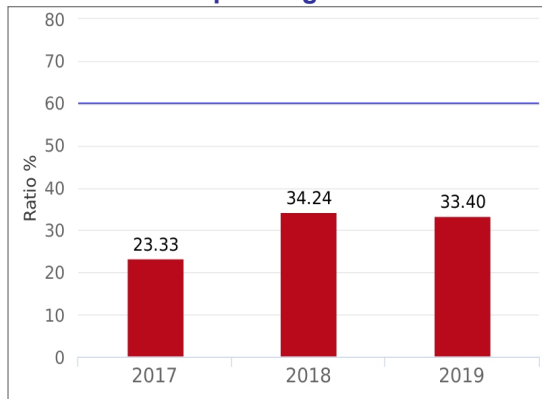
Council's Operating performance has steadied and is consistent with last year's. This year's result continues Council's long term Operating results being above the benchmark.

Benchmark: — > 0.00%

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

Ratio achieves benchmark (Green)
Ratio is outside benchmark (Red)

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	33.40%
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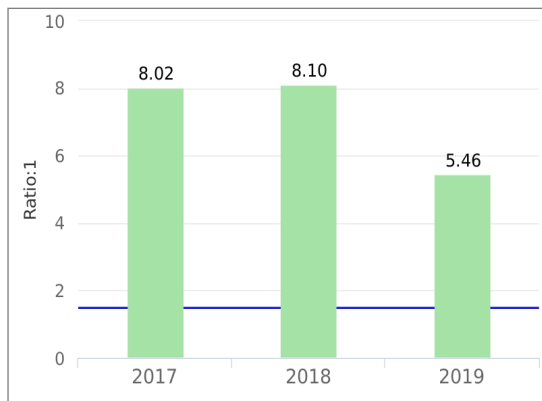
Grant income being slightly up on last year's grants, that has had a minor reduction in Own source operating revenue indicator.

Benchmark: — > 60.00%

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

Ratio achieves benchmark (Green)
Ratio is outside benchmark (Red)

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	5.46x
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While Council's ratio for this year is down on previous years, Council is still well above the industry benchmark. Council is in a strong financial position to pay its debts as and when they fall due.

Benchmark: — > 1.50x

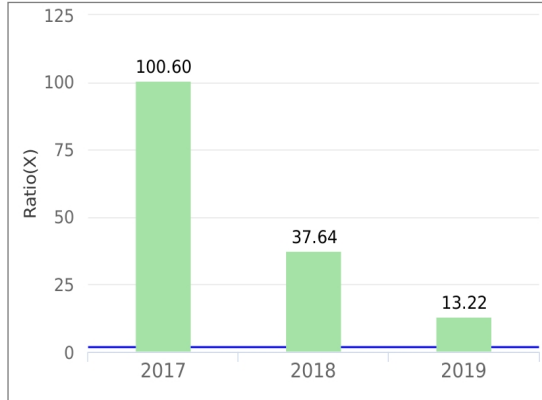
Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark (Green)
Ratio is outside benchmark (Red)

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

Note 23(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 13.22x

Council's available cash as at start of this year has been reduced due to more loan funds being expended on the pool upgrades and sewer works being completed.

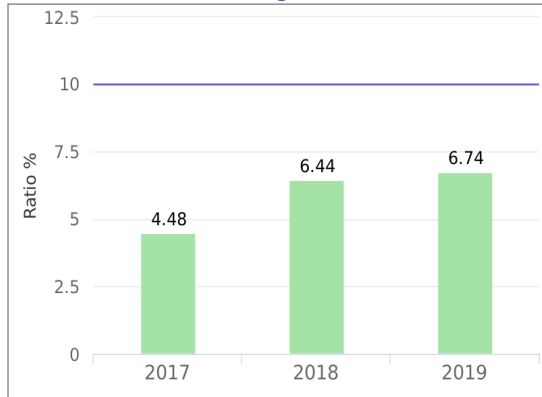
Benchmark: — > 2.00x

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 6.74%

Council has previously netted off uncollected rates and annual charges with rates paid in advance. This year they were not netted and the actual amount of uncollected rates and annual charges was reported, resulting in a slight increase in this ratio. However noting Council is still under the benchmark of 10%.

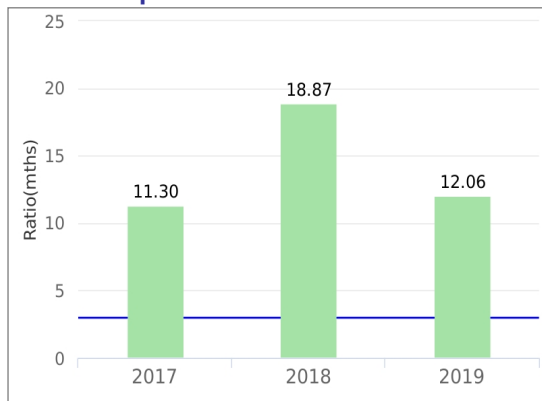
Benchmark: — < 10.00%

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 12.06 mths

Council continues to maintain a strong liquidity ratio which is well above the benchmark. This year's result is more in line with 2017 and 2016, noting last year's spike was due to borrowed funds injected into bank account.

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 24. Council information and contact details

Principal place of business:

65 Green Street
LOCKHART NSW 2656

Contact details

Mailing Address:

P O BOX 21
LOCKHART NSW 2656

Telephone: 02 6920 5305

Facsimile: 02 6920 5247

Opening hours:

8:30am - 4.00pm
Monday to Friday

Internet: www.lockhart.nsw.gov.au

Email: mail@lockhart.nsw.gov.au

Officers

General Manager

Peter Veneris

Responsible Accounting Officer

Craig Fletcher

Elected members

Mayor

Clr Rodger Schirmer

Other information

ABN: 82 002 584 082



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Lockhart Shire Council

To the Councillors of the Lockhart Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

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

Michael Kharzoo
Delegate of the Auditor-General for New South Wales

4 December 2019
SYDNEY



Mr Rodger Schirmer
 Mayor
 Lockhart Shire Council
 PO Box 21
 LOCKHART NSW 2656

Contact: Michael Kharzoo
 Phone no: 02 9275 7188
 Our ref: D1928466/1757

4 December 2019

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	3.4	3.2	↑ 6.3
Grants and contributions revenue	8.9	7.7	↑ 15.6
Operating result for the year	2.5	1.8	↑ 38.9
Net operating result before capital grants and contributions	0.4	0.8	↓ 50.0

The following comments are made in respect of Council’s operating result for the year:

Rates and annual charges revenue was \$3.4 million (\$3.2 million for the year ended 30 June 2018). The increase of \$0.2 million (6.3%) is due to IPART rate peg of 2.3% and increase in waste management services and sewerage services.

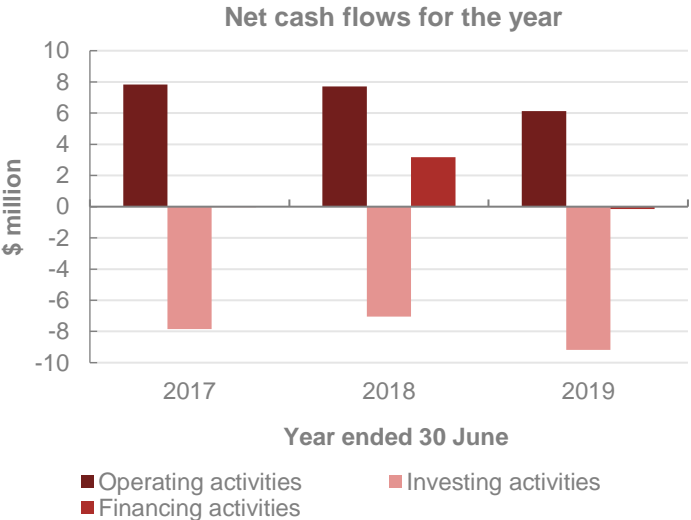
Grants and contributions revenue was \$8.9 million (\$7.7 million for the year ended 30 June 2018). The increase of \$1.2 million (15.6%) is primarily due to the increase in financial assistance grants of \$0.5 million, fixing country roads of \$0.4 million, environmental programs of \$0.37 million and Stronger Country Community Fund of \$0.3 million.

Council’s operating result was a surplus of \$2.5 million (\$1.8 million surplus for the year ended 30 June 2018). The movement was mainly due to the increase in grants and contributions received during the year.

Council’s net operating result before capital grants and contributions was a surplus of \$0.4 million (\$0.8 million surplus for the year ended 30 June 2018). The movement was mainly due to the increase in employee benefits and on costs and net losses from the disposal of assets.

STATEMENT OF CASH FLOWS

- Council’s cash and cash equivalents was \$8.3 million (\$11.5 million for the year ended 30 June 2018). There was a net decrease in cash and cash equivalents of \$3.2 million at 30 June 2019. This is related to the timing of the loan funding drawdown for capital projects in the prior year.
- Net cash provided by operating activities has decreased by \$1.6 million. This is mainly due to higher cash receipts from grants and contributions in the prior year (2018) due to large grant receivable (\$2.3 million) as at 30 June 2017.
- Net cash used in investing activities increased by \$2.1 million. This is mainly due to the increase of purchases of infrastructure, property, plant and equipment of \$2.1 million, including the swimming pool projects.
- Net cash provided in financing activities has decreased by \$3.3 million. This is due to the drawdown of borrowings in the prior year. There were no new proceeds from borrowings in the 2019 financial year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	2.6	2.4	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The slight increase of \$0.2 million was mainly due to the increase in specific purpose unexpended grants.
Internal restrictions	5.5	7.2	
Unrestricted	0.2	1.9	
Cash and investments	8.3	11.5	<ul style="list-style-type: none"> Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in internal restrictions is primarily due to a decrease of \$1.4 million relating to unspent borrowed funds for the swimming pool redevelopments. Unrestricted cash and investments was \$0.2 million which is available to provide liquidity for day-to-day operations of the Council. The decrease in unrestricted cash is mainly due to increased capital expenditure in current financial year.

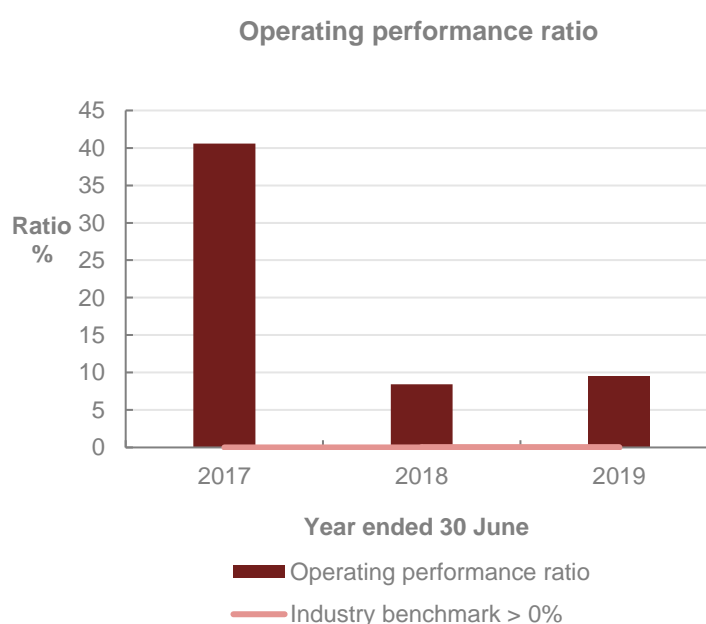
Debt

Council has \$3.8 million of borrowings as at 30 June 2019 (2018: \$4.0 million). The borrowings are drawn through Bendigo Bank related to Council's administration building and T-Corp related to capital works for the swimming pool upgrades and the sewer network extension.

PERFORMANCE

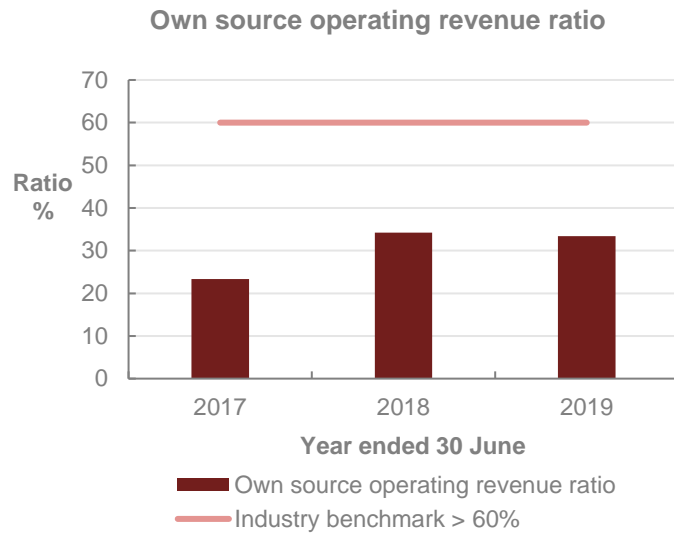
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than 0%.
- The Council's operating performance ratio of 9.53% is above the industry benchmark of greater than 0%. This indicates the Council can contain operating expenditure within operating revenue.
- The ratio remained relatively constant from 2018 to 2019.



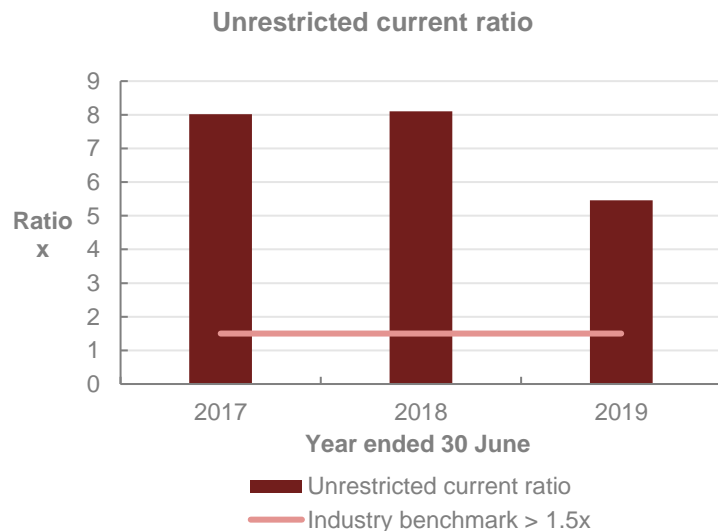
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 33.40% is below the industry benchmark of 60%. This indicates that the Council is more reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio remained relatively constant from 2018 to 2019.



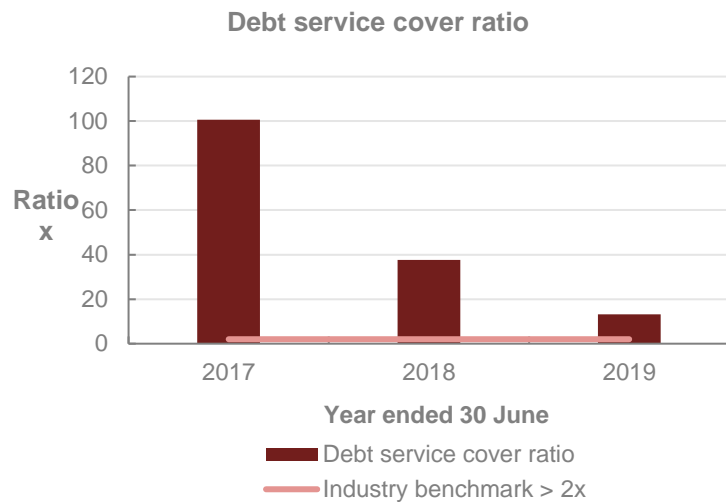
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.
- The Council's unrestricted current ratio of 5.46 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has decreased from 8.10 times to 5.46 times due to the decrease in cash and cash equivalents. This is related to the timing of the loan funding drawdown for capital projects in the prior year.



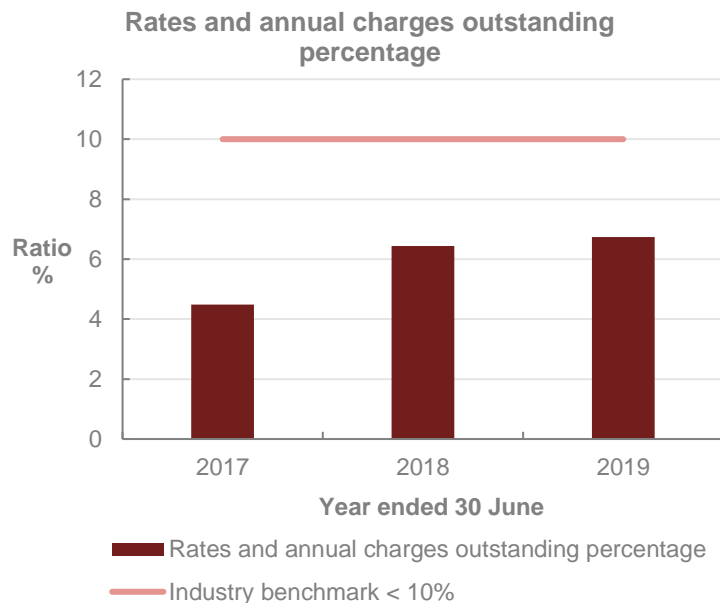
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.
- The Council's debt service cover ratio of 13.22 times is greater than the industry benchmark of greater than 2 times. The ratio indicates that the Council has adequate operating cash to fund its debt obligations.
- The Council's debt service cover ratio of 13.22 times (2018: 37.64 times) has decreased due to the increase in borrowings repayments and interest in the current financial year.



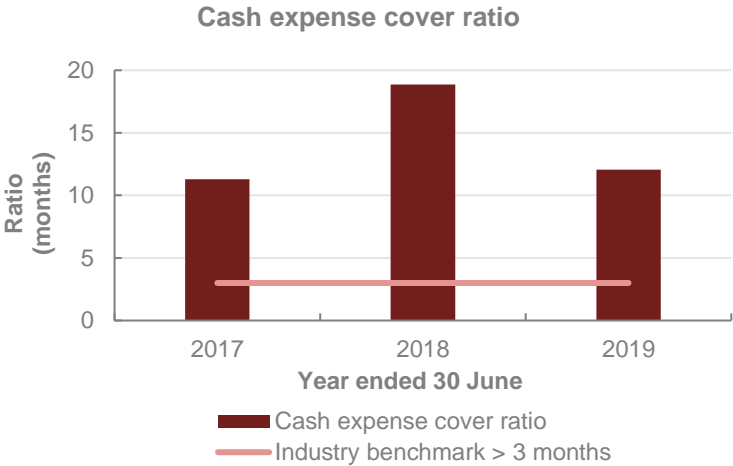
Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 6.74% is within the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges ratio has remained relatively consistent in 2018 and 2019, indicating that the Council's rate recovery measures continue to be effective in collecting and reducing outstanding debts.



Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the former OLG is greater than three months.
- The Council's cash expense cover ratio was 12.06 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 12.06 months of operating cash expenditure without additional cash inflows at 30 June 2019.
- The Council's cash expense cover ratio decreased to 12.06 months (2018: 18.87 months) due to the decrease in cash and cash equivalents due to completion of significant capital projects across the 2019 financial year.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$4.4 million of assets in the 2018–19 financial year, compared to \$1.5 million of assets in the 2017–18 financial year. The increase was mainly due to the higher capital expenditures of \$1.8 million on road assets and \$1.4 million on swimming pool assets.

OTHER MATTERS

New accounting standards implemented

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

Legislative compliance

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

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



Michael Kharzoo
Delegate of the Auditor-General for New South Wales

cc: Peter Veneris, General Manager
Craig Fletcher, Director of Corporate and Community Services
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Lockhart Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



Lockhart
Shire Council

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).

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 sewerage business 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 21 October 2019.



Clr Rodger Schirmer
Mayor
21 October 2019



Clr Greg Verdon
Councillor
21 October 2019



Peter Veneris
General Manager
21 October 2019



Craig Fletcher
Responsible Accounting Officer
21 October 2019

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	474	442
User charges	9	6
Fees	4	–
Interest	22	31
Grants and contributions provided for non-capital purposes	–	11
Other income	–	10
Total income from continuing operations	509	500
Expenses from continuing operations		
Employee benefits and on-costs	102	69
Borrowing costs	42	4
Materials and contracts	211	263
Depreciation, amortisation and impairment	209	194
Other expenses	42	19
Total expenses from continuing operations	606	549
Surplus (deficit) from continuing operations before capital amounts	(97)	(49)
Surplus (deficit) from continuing operations after capital amounts	(97)	(49)
Surplus (deficit) from all operations before tax	(97)	(49)
SURPLUS (DEFICIT) AFTER TAX	(97)	(49)
Plus accumulated surplus	7,468	7,517
Plus adjustments for amounts unpaid:		
Less:		
Closing accumulated surplus	7,371	7,468
Return on capital %	(0.5)%	(0.4)%
Subsidy from Council	190	321
Calculation of dividend payable:		
Surplus (deficit) after tax	(97)	(49)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	1,973	2,076
Receivables	64	45
Total current assets	2,037	2,121
Non-current assets		
Infrastructure, property, plant and equipment	10,229	10,480
Total non-current assets	10,229	10,480
TOTAL ASSETS	12,266	12,601
LIABILITIES		
Current liabilities		
Payables	–	42
Borrowings	35	37
Provisions	5	5
Total current liabilities	40	84
Non-current liabilities		
Borrowings	928	963
Provisions	2	2
Total non-current liabilities	930	965
TOTAL LIABILITIES	970	1,049
NET ASSETS	11,296	11,552
EQUITY		
Accumulated surplus	7,371	7,468
Revaluation reserves	3,925	4,084
TOTAL EQUITY	11,296	11,552

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)

None

Category 2

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

Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing the villages of Lockhart, The Rock and Yerong Creek.

Monetary amounts

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

(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 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 the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

Note 1. Significant Accounting Policies (continued)

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 sewerage businesses are permitted to pay an annual dividend from its 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 sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Lockhart Shire Council

To the Councillors of the Lockhart Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Lockhart Shire Council's (the Council) Declared Business Activity, 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 Activity of the Council is Sewerage service.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

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

Michael Kharzoo
Delegate of the Auditor-General for New South Wales

4 December 2019
SYDNEY

Lockhart Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



Lockhart
Shire Council

Special Schedules

for the year ended 30 June 2019

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Report on Infrastructure Assets - Values

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Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	2,414	2,359
Plus or minus adjustments ²	b	5	2
Notional general income	c = a + b	2,419	2,361
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	65	54
Sub-total	k = (c + g + h + i + j)	2,484	2,415
Plus (or minus) last year's carry forward total	l	1	—
Sub-total	n = (l + m)	1	—
Total permissible income	o = k + n	2,485	2,415
Less notional general income yield	p	2,477	2,414
Catch-up or (excess) result	q = o - p	9	1
Carry forward to next year ⁶	t = q + r + s	9	1

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.

Report on Infrastructure Assets
as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	–	–	70	66	4,478	6,617	28.0%	37.0%	30.0%	5.0%	0.0%
	Buildings – specialised	–	–	30	30	8,044	14,004	30.0%	25.0%	30.0%	10.0%	5.0%
	Sub-total	–	–	100	96	12,522	20,621	29.4%	28.9%	30.0%	8.4%	3.3%
Other structures	Other structures	–	–	–	–	215	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	215	–	0.0%	0.0%	0.0%	0.0%	100.0%
Roads	Sealed roads	–	–	600	635	111,704	–	25.0%	50.0%	25.0%	0.0%	0.0%
	Unsealed roads	–	–	550	570	63,925	–	40.0%	10.0%	50.0%	0.0%	0.0%
	Bridges	–	–	–	–	3,186	–	75.0%	20.0%	5.0%	0.0%	0.0%
	Footpaths	–	–	–	7	1,002	–	90.0%	5.0%	5.0%	0.0%	0.0%
	Other road assets	–	–	–	–	4,741	–	0.0%	10.0%	90.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	7,080	–	30.0%	40.0%	30.0%	0.0%	0.0%
	Other	–	–	–	–	(508)	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	1,150	1,212	191,130	–	0.0%	0.0%	0.0%	0.0%	100.0%
Sewerage network	Sewerage network	–	–	155	154	9,632	–	95.0%	5.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	597	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	155	154	10,229	–	0.0%	0.0%	0.0%	0.0%	100.0%
Stormwater drainage	Stormwater drainage	–	–	–	–	2,061	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	2,061	–	0.0%	0.0%	0.0%	0.0%	100.0%
Open space / recreational assets	Swimming pools	–	–	–	–	2,137	–	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Open Space/Recreation	–	–	250	292	883	–	50.0%	25.0%	25.0%	0.0%	0.0%
	Sub-total	–	–	250	292	3,020	–	0.0%	0.0%	0.0%	0.0%	100.0%
TOTAL - ALL ASSETS		–	–	1,655	1,754	219,177	20,621	29.4%	28.9%	30.0%	8.4%	3.3%

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

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

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		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	4,415	159.67%	57.15%	106.89%	>=100.00%
Depreciation, amortisation and impairment	2,765				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	1,290	0.59%	1.07%	1.32%	<2.00%
Net carrying amount of infrastructure assets	219,177				
Asset maintenance ratio					
Actual asset maintenance	1,754	105.98%	111.42%	106.46%	>100.00%
Required asset maintenance	1,655				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	-	-	-	-	
Gross replacement cost	20,621				

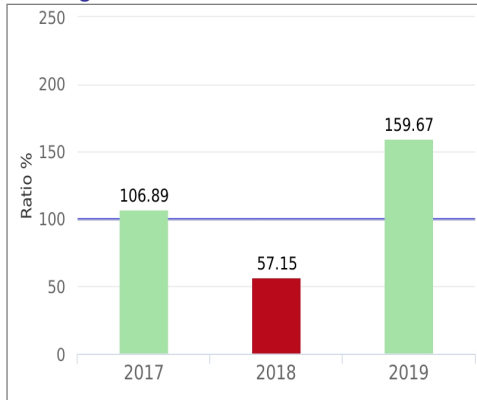
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)
as at 30 June 2019

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

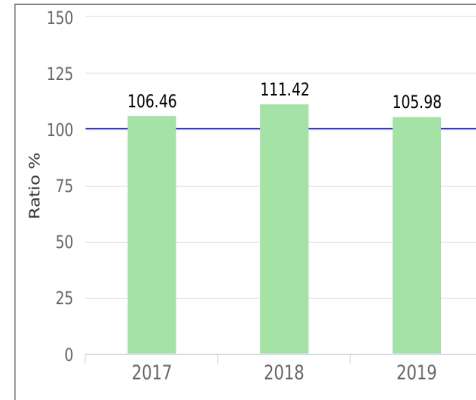
Commentary on result

18/19 ratio 159.67%

A healthy ratio over the past 4 years that is above industry benchmark.

Benchmark: — $\geq 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

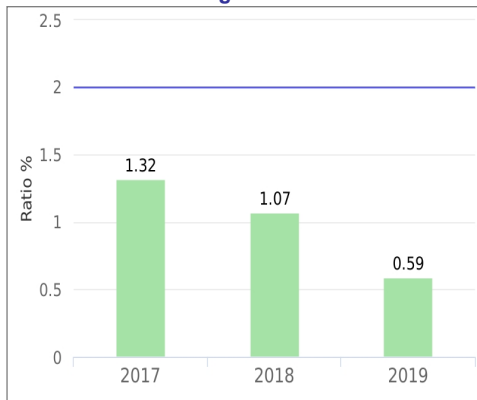
Commentary on result

18/19 ratio 105.98%

This ratio has remained consistent over the last 3 years, and continues to be above the industry benchmark.

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

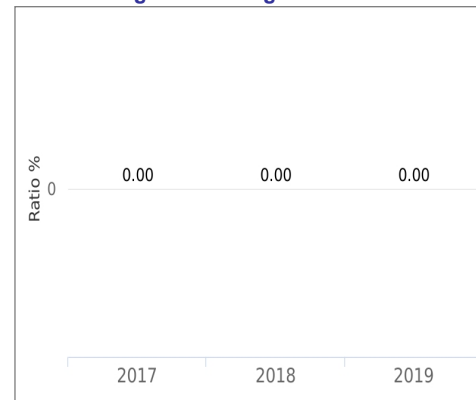
Commentary on result

18/19 ratio 0.59%

This ratio has remained consistent over the last 3 years, and continues to be under the industry benchmark.

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on result

18/19 ratio 0.00%

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Sewer fund		Benchmark
	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²					
Depreciation, amortisation and impairment	117.68%	61.75%	673.21%	–	>=100.00%
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard					
Net carrying amount of infrastructure assets	0.57%	1.07%	0.88%	0.98%	<2.00%
Asset maintenance ratio					
Actual asset maintenance					
Required asset maintenance	106.67%	107.16%	99.35%	182.11%	>100.00%
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council					
Gross replacement cost	–	–	∞	–	

(1) Excludes Work In Progress (WIP)

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