

# Dungog Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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# General Purpose Financial Statements

for the year ended 30 June 2019

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## Overview

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

198 Dowling Street  
DUNGOG NSW 2420

Council's guiding principles are detailed in Chapter 3 of the LGA and include:

- 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.dungog.nsw.gov.au](http://www.dungog.nsw.gov.au).

## General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### 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 as to 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:

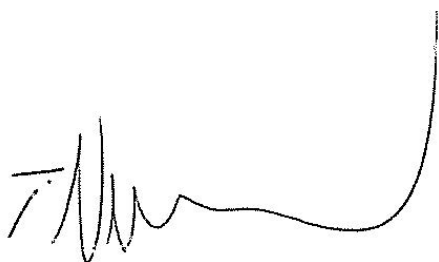
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder;
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board; and
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

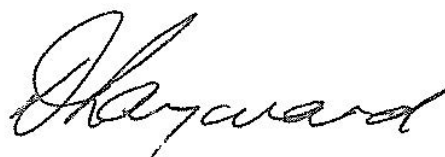
- present fairly the Council's operating result and financial position for the year; and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 16 October 2019.



Cr Tracy Norman  
**MAYOR**  
28 October 2019



Cr Digby Rayward  
**COUNCILLOR**  
28 October 2019



Coralie Nichols  
**GENERAL MANAGER**  
28 October 2019



Shaun Chandler  
**RESPONSIBLE ACCOUNTING OFFICER**  
28 October 2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 <sup>1</sup>
<b>Income from continuing operations</b>				
<u>Revenue:</u>				
7,491	Rates and annual charges	3a	7,420	7,076
1,452	User charges and fees	3b	1,219	1,082
448	Interest and investment revenue	3c	531	253
1,266	Other revenues	3d	839	889
4,258	Grants and contributions provided for operating purposes	3e,3f	4,996	4,776
6,949	Grants and contributions provided for capital purposes	3e,3f	5,924	7,689
<u>Other income:</u>				
—	Net share of interests in joint ventures and associates using the equity method	14	—	86
21,864	<b>Total income from continuing operations</b>		20,929	21,851
<b>Expenses from continuing operations</b>				
4,856	Employee benefits and on-costs	4a	4,847	4,743
170	Borrowing costs	4b	118	108
5,513	Materials and contracts	4c	4,900	3,977
6,130	Depreciation and amortisation	4d	6,149	6,091
2,123	Other expenses	4e	1,932	2,231
153	Net losses from the disposal of assets	5	1,291	1,099
—	Net share of interests in joint ventures and associates using the equity method	14	14	—
18,945	<b>Total expenses from continuing operations</b>		19,251	18,249
2,919	<b>Operating result from continuing operations</b>		1,678	3,602
2,919	<b>Net operating result for the year</b>		1,678	3,602
2,919	Net operating result attributable to council		1,678	3,602
(4,030)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		(4,246)	(4,087)

<sup>(1)</sup> 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 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>1,678</b>	<b>3,602</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	70,990	2,930
Other comprehensive income – joint ventures and associates	14	2	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>70,992</b>	<b>2,930</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		169	–
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>169</b>	<b>–</b>
<b>Total other comprehensive income for the year</b>		<b>71,161</b>	<b>2,930</b>
<b>Total comprehensive income for the year</b>		<b>72,839</b>	<b>6,532</b>
Total comprehensive income attributable to Council		72,839	6,532

(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 <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	2,128	1,168
Investments	6(b)	15,259	9,000
Receivables	7	1,239	797
Inventories	8a	587	557
Other	8b	47	38
<b>Total current assets</b>		<b>19,260</b>	<b>11,560</b>
<b>Non-current assets</b>			
Investments	6(b)	5,558	7,761
Receivables	7	48	53
Inventories	8a	27	26
Infrastructure, property, plant and equipment	9(a)	378,434	305,407
Investments accounted for using the equity method	14	145	157
<b>Total non-current assets</b>		<b>384,212</b>	<b>313,404</b>
<b>TOTAL ASSETS</b>		<b>403,472</b>	<b>324,964</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	2,587	886
Income received in advance	10	57	28
Borrowings	10	235	144
Provisions	11	1,981	1,787
<b>Total current liabilities</b>		<b>4,860</b>	<b>2,845</b>
<b>Non-current liabilities</b>			
Borrowings	10	4,559	1,102
Provisions	11	2,991	2,907
<b>Total non-current liabilities</b>		<b>7,550</b>	<b>4,009</b>
<b>TOTAL LIABILITIES</b>		<b>12,410</b>	<b>6,854</b>
<b>Net assets</b>		<b>391,062</b>	<b>318,110</b>
<b>EQUITY</b>			
Accumulated surplus	12a	136,093	134,300
Revaluation reserves	12a	254,969	183,810
<b>Council equity interest</b>		<b>391,062</b>	<b>318,110</b>
<b>Total equity</b>		<b>391,062</b>	<b>318,110</b>

(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 <sup>1</sup>		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		134,300	183,810	318,110	130,698	180,880	311,578
Correction of prior period errors		113	–	113	–	–	–
Net operating result for the year		1,678	–	1,678	3,602	–	3,602
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9(a)	–	70,990	70,990	–	2,930	2,930
– Joint ventures and associates	14	2	–	2	–	–	–
– Other reserves movements		–	56	56	–	–	–
– Other reserves Alison Court Impairment Release		–	113	113	–	–	–
<b>Other comprehensive income</b>		<b>2</b>	<b>71,159</b>	<b>71,161</b>	<b>–</b>	<b>2,930</b>	<b>2,930</b>
<b>Total comprehensive income</b>		<b>1,680</b>	<b>71,159</b>	<b>72,839</b>	<b>3,602</b>	<b>2,930</b>	<b>6,532</b>
<b>Equity – balance at end of the reporting period</b>		<b>136,093</b>	<b>254,969</b>	<b>391,062</b>	<b>134,300</b>	<b>183,810</b>	<b>318,110</b>

(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
<b>Cash flows from operating activities</b>				
	<u>Receipts</u>			
7,491	Rates and annual charges		7,518	6,950
1,452	User charges and fees		1,242	1,084
448	Investment and interest revenue received		531	253
11,207	Grants and contributions		10,920	12,562
–	Bonds, deposits and retention amounts received		15	4
1,266	Other		305	1,933
	<u>Payments</u>			
(4,855)	Employee benefits and on-costs		(4,540)	(5,040)
(5,513)	Materials and contracts		(3,370)	(3,893)
(170)	Borrowing costs		(118)	(108)
(2,123)	Other		(1,836)	(2,188)
9,203	<b>Net cash provided (or used in) operating activities</b>	13b	10,667	11,557
<b>Cash flows from investing activities</b>				
	<u>Receipts</u>			
–	Sale of investment securities		9,000	–
34	Sale of infrastructure, property, plant and equipment		163	343
–	Deferred debtors receipts		5	5
	<u>Payments</u>			
–	Purchase of investment securities		(13,000)	(12,011)
(13,352)	Purchase of infrastructure, property, plant and equipment		(9,414)	(7,884)
–	Purchase of real estate assets		(9)	(104)
(13,318)	<b>Net cash provided (or used in) investing activities</b>		(13,255)	(19,651)
<b>Cash flows from financing activities</b>				
	<u>Receipts</u>			
2,680	Proceeds from borrowings and advances		3,720	–
	<u>Payments</u>			
(294)	Repayment of borrowings and advances		(172)	(152)
2,386	<b>Net cash flow provided (used in) financing activities</b>		3,548	(152)
(1,729)	<b>Net increase/(decrease) in cash and cash equivalents</b>		960	(8,246)
–	Plus: cash and cash equivalents – beginning of year	13a	1,168	9,414
(1,729)	<b>Cash and cash equivalents – end of the year</b>	13a	2,128	1,168
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	20,817	16,761
(1,729)	<b>Total cash, cash equivalents and investments</b>		22,945	17,929

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

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These financial statements were authorised for issue by Council on 16 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.

Where relevant, those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 12.

#### (b) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9a
- (ii) estimated tip remediation provisions – refer Note 11
- (iii) 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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#### 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:

- Clarence Town School of Arts
- Dungog Showground Management Committee
- James Theatre Management Committee
- Martins Creek School of Arts
- Gresford School of Arts
- Paterson School of Arts
- Vacy School of Arts
- Vacy Sportsground
- Paterson Sportsground
- Gresford Sporting Complex

##### (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.

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

#### Goods and Services Tax (GST)

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

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

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

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

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

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

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

##### AASB 16 Leases

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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Council has examined the impact of adopting this new accounting standard and determined that there is no material impact from adoption on 1 July 2019.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$125,013 - refer to Note 18c. The total balance of these commitments were deemed to be both short-term and low-value.

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

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

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

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

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

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. Assessment of the financial impact of the standards is in progress.

#### **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 does not 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 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.

Council will assess each revenue stream, but particular impact is expected for grant income where performance obligations need to be satisfied before income can be recognised.

## 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
<b>Functions or activities</b>										
Corporate & client services	364	391	2,392	2,524	(2,028)	(2,133)	–	–	28,411	23,602
Public order and safety	47	61	558	604	(511)	(543)	–	–	3,049	2,896
Health	66	67	178	166	(112)	(99)	66	65	1	1
Community services and education	125	1,004	171	197	(46)	807	8	727	1,390	1,453
Housing and community amenities	3,140	2,866	3,372	3,164	(232)	(298)	10	152	3,993	4,066
Recreation and culture	709	1,121	1,548	1,757	(839)	(636)	572	850	12,655	13,021
Mining, manufacture and construction	91	118	388	457	(297)	(339)	–	–	2,605	2,471
Transport and communication	7,777	8,410	10,166	8,889	(2,389)	(479)	2,057	2,032	347,381	274,633
Economic affairs	210	225	478	491	(268)	(266)	–	–	3,521	2,664
General purpose income	8,400	7,588	–	–	8,400	7,588	2,704	2,567	145	157
Other	–	–	–	–	–	–	–	–	321	–
<b>Total functions and activities</b>	<b>20,929</b>	<b>21,851</b>	<b>19,251</b>	<b>18,249</b>	<b>1,678</b>	<b>3,602</b>	<b>5,417</b>	<b>6,393</b>	<b>403,472</b>	<b>324,964</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### Corporate & client services

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

#### Public order and safety

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

#### Health

Includes health administration, food control, etc.

#### Community services and education

Includes administration and education; 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's services, including family day care; child care; and other family and children services.

#### Housing and community amenities

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons. Also includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

#### 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, manufacture and construction

Includes building control, quarries and pits and mineral resources.

#### Transport and communication

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

#### Economic affairs

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

#### General purpose income

Includes income from general rates, financial assistance grants, interest income and the share of gains/losses in associates and joint ventures.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	3,162	3,033
Farmland	2,087	2,038
Business	324	317
<b>Rates levied to ratepayers</b>	<b>5,573</b>	<b>5,388</b>
Pensioner rate subsidies received	62	65
<b>Total ordinary rates</b>	<b>5,635</b>	<b>5,453</b>
<b>Annual charges</b>		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,543	1,394
Stormwater management services	42	41
Waste management services (non-domestic)	150	138
Section 611 charges	1	1
Sanitary	16	17
<b>Annual charges levied</b>	<b>1,752</b>	<b>1,591</b>
Pensioner subsidies received:		
– Domestic waste management	33	32
<b>Total annual charges</b>	<b>1,785</b>	<b>1,623</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>7,420</b>	<b>7,076</b>

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>(b) User charges and fees</b>		
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Domestic waste management services	255	183
<b>Total specific user charges</b>	<b>255</b>	<b>183</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Inspection services	8	9
Planning and building regulation	226	257
Private works – section 67	18	8
Town planning	113	48
Building control	32	47
Septic tank applications	17	18
<b>Total fees and charges – statutory/regulatory</b>	<b>414</b>	<b>387</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Caravan park	157	194
Cemeteries	41	38
Tourism	2	3
Onsite sewerage management services	226	209
Inspections and construction certificates – roads	103	50
Other	21	18
<b>Total fees and charges – other</b>	<b>550</b>	<b>512</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>1,219</b>	<b>1,082</b>

**Accounting policy for user charges and fees**

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

**(c) Interest and investment revenue (including losses)****Interest on financial assets measured at amortised cost**

– Overdue rates and annual charges (incl. special purpose rates)	36	37
– Cash and investments	495	216
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>531</b>	<b>253</b>

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

Overdue rates and annual charges (general fund)	36	37
General Council cash and investments	406	104

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11	89	112
<b>Total interest and investment revenue</b>	<b>531</b>	<b>253</b>

**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
<b>(d) Other revenues</b>		
Rental income – other council properties	153	156
Fines – other	12	14
Legal fees recovery – other	20	1
Commissions and agency fees	112	132
Landfill recycling stations sales	94	163
Section 88 fee collected	334	324
Workers compensation and insurance rebates	51	82
Other	63	17
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>839</u></b>	<b><u>889</u></b>

**Accounting policy for other revenue**

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

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

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

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

Other 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
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	854	790	–	–
Financial assistance – local roads component	454	444	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	885	811	–	–
Financial assistance – local roads component	471	457	–	–
<b>Total general purpose</b>	<b>2,664</b>	<b>2,502</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Community care	8	3	–	–
Economic development	–	–	–	886
Environmental programs	33	31	–	–
Heritage and cultural	(3)	5	–	–
Library	32	37	–	–
Library – special projects	–	–	7	7
Noxious weeds	60	58	–	–
Public halls	–	–	–	11
Recreation and culture	–	–	559	801
Street lighting	21	20	–	–
Transport (roads to recovery)	803	803	–	–
Transport (other roads and bridges funding)	1,214	1,218	–	–
Bus shelters	–	–	19	11
<b>Total specific purpose</b>	<b>2,168</b>	<b>2,175</b>	<b>585</b>	<b>1,716</b>
<b>Total grants</b>	<b>4,832</b>	<b>4,677</b>	<b>585</b>	<b>1,716</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	3,490	3,556	–	–
– State funding	1,342	1,121	585	1,716
	<b>4,832</b>	<b>4,677</b>	<b>585</b>	<b>1,716</b>

## 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
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	526	519
<b>Total developer contributions – cash</b>		–	–	<b>526</b>	<b>519</b>
<b>Total developer contributions</b>	22	–	–	<b>526</b>	<b>519</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Bushfire services		23	21	–	–
Business development		4	5	–	–
Roads and bridges		–	–	213	49
RMS contributions (regional roads, block grant)		–	–	4,537	5,405
Tourism		22	1	–	–
Water supplies (excl. section 64 contributions)		1	2	–	–
Other		59	11	63	–
Emergency services levy		–	2	–	–
Waste management		55	57	–	–
<b>Total other contributions – cash</b>		<b>164</b>	<b>99</b>	<b>4,813</b>	<b>5,454</b>
<b>Total other contributions</b>		<b>164</b>	<b>99</b>	<b>4,813</b>	<b>5,454</b>
<b>Total contributions</b>		<b>164</b>	<b>99</b>	<b>5,339</b>	<b>5,973</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>4,996</b>	<b>4,776</b>	<b>5,924</b>	<b>7,689</b>

**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		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	2,050	5,232
<b>Add:</b> operating grants recognised in the current period but not yet spent	166	2,050
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(1,939)	(5,232)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>277</b>	<b>2,050</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	—	—
<b>Add:</b> capital grants recognised in the current period but not yet spent	563	—
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>563</b>	<b>—</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	5,716	5,088
<b>Add:</b> contributions recognised in the current period but not yet spent	762	628
<b>Unexpended and held as restricted assets (contributions)</b>	<b>6,478</b>	<b>5,716</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	4,207	4,559
Employee leave entitlements (ELE)	732	339
Superannuation	517	505
Workers' compensation insurance	100	97
Fringe benefit tax (FBT)	47	59
Training costs (other than salaries and wages)	53	33
Other	64	10
<b>Total employee costs</b>	<b>5,720</b>	<b>5,602</b>
Less: capitalised costs	(873)	(859)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>4,847</b>	<b>4,743</b>
Number of 'full-time equivalent' employees (FTE) at year end	59	61

**Accounting policy for employee benefits and on-costs**

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

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

\$ '000	Notes	2019	2018
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		58	66
<b>Total interest bearing liability costs expensed</b>		<b>58</b>	<b>66</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	11	60	42
<b>Total other borrowing costs</b>		<b>60</b>	<b>42</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>118</b>	<b>108</b>

**Accounting policy for borrowing costs**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	4,750	4,171
Contractor and consultancy costs	176	103
Auditors remuneration <sup>2</sup>	36	68
<b>Legal expenses:</b>		
– Legal expenses: planning and development	361	25
– Legal expenses: other	33	12
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	24	35
<b>Total materials and contracts</b>	<b>5,380</b>	<b>4,414</b>
Less: capitalised costs	(480)	(437)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>4,900</b>	<b>3,977</b>

**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.

**1. Operating lease payments are attributable to:**

Computers	24	35
	<b>24</b>	<b>35</b>

**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	36	68
<b>Remuneration for audit and other assurance services</b>	<b>36</b>	<b>68</b>
<b>Total Auditor-General remuneration</b>	<b>36</b>	<b>68</b>
<b>Total Auditor remuneration</b>	<b>36</b>	<b>68</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
<b>Depreciation and amortisation</b>			
Plant and equipment		494	474
Office equipment		2	3
<b>Infrastructure:</b>			
– Buildings – specialised		497	507
– Other structures		84	95
– Roads		3,349	3,345
– Bridges		674	695
– Footpaths		14	11
– Stormwater drainage		453	453
– Swimming pools		116	70
– Other open space/recreational assets		332	327
<b>Other assets:</b>			
– Library books		37	35
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Asset reinstatement costs	9(a), 11	97	76
<b>Total gross depreciation and amortisation costs</b>		<b>6,149</b>	<b>6,091</b>
<b>Total depreciation and amortisation costs</b>		<b>6,149</b>	<b>6,091</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</u></b>			
		<b>6,149</b>	<b>6,091</b>

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

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

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

**Impairment of non-financial assets**

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

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
<b>(e) Other expenses</b>		
Advertising	59	52
Agency collection costs – Australia Post	20	25
Commissions	80	92
Contributions/levies to other levels of government		
– NSW RB	28	30
– NSW rural fire service levy	287	289
– Waste levy	334	326
Councillor expenses – mayoral fee	15	13
Councillor expenses – councillors' fees	84	76
Councillors' expenses (incl. mayor) – other (excluding fees above)	8	10
Donations, contributions and assistance to other organisations (Section 356)	2	1
Electricity and heating	97	121
Fees and charges	18	8
Insurance	368	343
Newcastle regional library	14	17
Postage	30	23
Printing and stationery	38	44
Street lighting	113	106
Subscriptions and publications	28	11
Telephone and communications	45	45
Valuation fees	6	64
Weight of loads co-operative	16	15
Other	242	520
<b>TOTAL OTHER EXPENSES</b>	<b>1,932</b>	<b>2,231</b>

**Accounting policy for other expenses**

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

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

\$ '000	Notes	2019	2018
<b>Plant and equipment</b>			
	9(a)		
Proceeds from disposal – plant and equipment		163	343
Less: carrying amount of plant and equipment assets sold/written off		(197)	(387)
<b>Net gain/(loss) on disposal</b>		<b>(34)</b>	<b>(44)</b>
<b>Infrastructure</b>			
	9(a)		
Less: carrying amount of infrastructure assets sold/written off		(1,257)	(1,055)
<b>Net gain/(loss) on disposal</b>		<b>(1,257)</b>	<b>(1,055)</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(1,291)</b>	<b>(1,099)</b>

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	1,801	665
Cash-equivalent assets		
– Deposits at call	327	503
<b>Total cash and cash equivalents</b>	<b>2,128</b>	<b>1,168</b>

**Accounting policy for cash and cash equivalents**

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

## Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	–	56	–	–
– 'Designated at fair value on initial recognition'	–	–	500	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	15,259	5,502	8,500	7,761
<b>Total Investments</b>	<b>15,259</b>	<b>5,558</b>	<b>9,000</b>	<b>7,761</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>17,387</b>	<b>5,558</b>	<b>10,168</b>	<b>7,761</b>
<b>Financial assets at fair value through the profit and loss</b>				
NCD's, FRN's (with maturities > 3 months)	–	–	500	–
Listed equity securities	–	56	–	–
<b>Total</b>	<b>–</b>	<b>56</b>	<b>500</b>	<b>–</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	13,000	–	8,500	–
NCD's, FRN's (with maturities > 3 months)	2,259	5,502	–	7,761
<b>Total</b>	<b>15,259</b>	<b>5,502</b>	<b>8,500</b>	<b>7,761</b>

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

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

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

**Financial assets**

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

**Classification**

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

- amortised cost

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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

Financial assets are not reclassified subsequent to their initial recognition.

#### **Amortised cost**

Assets measured at amortised cost are financial assets where:

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

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

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

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

#### **Financial assets through profit or loss**

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

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

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

### **Accounting policy under AASB 139 – applicable for 2018 comparatives only**

#### **Classification**

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

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

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

#### **(b) Held to maturity investments**

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

#### **(c) Loans and receivables**

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

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

#### **(d) Available for sale financial assets**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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at fair value with changes in fair value taken to other comprehensive income.

#### **Recognition and de-recognition**

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

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

#### **Impairment of financial assets**

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

#### **Impairment of available for sale investments**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	17,387	5,558	10,168	7,761
<b>attributable to:</b>				
External restrictions	4,703	5,558	1,311	7,761
Internal restrictions	11,483	–	8,226	–
Unrestricted	1,201	–	631	–
	17,387	5,558	10,168	7,761

\$ '000	2019	2018
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## Details of restrictions

## External restrictions – included in liabilities

Specific purpose unexpended loans – general	2,000	238
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## External restrictions – included in liabilities

## External restrictions – other

Developer contributions – general	6,331	5,716
Specific purpose unexpended grants	840	2,050
Domestic waste management	768	761
Bike path	8	8
Deposits and retentions	210	195
Kerb and gutter	10	10
Pavement	54	54
Rail services australia	39	39
RLCIP infrastructure funding	1	1

## External restrictions – other

## Total external restrictions

## Internal restrictions

Plant and vehicle replacement	3,384	1,620
Employees leave entitlement	1,210	1,161
Buildings and grounds	169	421
Discontinued funds transfer	749	749
Insurance equalisation	269	268
Other waste management	446	386
RB unexpended	1,036	597
Settlement for the aged	166	170
Shire properties	154	351
Special projects	3,642	2,391
Town funds	112	112
Other	146	–

## Total internal restrictions

## TOTAL RESTRICTIONS

	21,744	17,298
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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
<b>Purpose</b>				
Rates and annual charges	391	–	456	–
User charges and fees	11	–	9	–
Private works	14	–	10	–
Accrued revenues				
– Other income accruals	78	–	75	–
Deferred debtors	–	48	–	53
Net GST receivable	374	–	44	–
Kerb and guttering	9	–	11	–
Rates legal costs recovery	21	–	11	–
RMS (formerly RTA)	182	–	–	–
Contributions	100	–	78	–
Other debtors	107	–	103	–
<b>Total</b>	<b>1,287</b>	<b>48</b>	<b>797</b>	<b>53</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(33)	–	–	–
Other debtors	(15)	–	–	–
<b>Total provision for impairment – receivables</b>	<b>(48)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>1,239</b>	<b>48</b>	<b>797</b>	<b>53</b>
<b>Unrestricted receivables</b>	<b>1,239</b>	<b>48</b>	<b>797</b>	<b>53</b>
<b>TOTAL NET RECEIVABLES</b>	<b>1,239</b>	<b>48</b>	<b>797</b>	<b>53</b>

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	–	–
+ new provisions recognised during the year	48	–
<b>Balance at the end of the period</b>	<b>48</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

##### Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

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

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

##### Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	166	27	158	26
Stores and materials	421	–	399	–
<b>Total inventories at cost</b>	<b>587</b>	<b>27</b>	<b>557</b>	<b>26</b>
<b>TOTAL INVENTORIES</b>	<b>587</b>	<b>27</b>	<b>557</b>	<b>26</b>
<b>(b) Other assets</b>				
Prepayments	47	–	38	–
<b>TOTAL OTHER ASSETS</b>	<b>47</b>	<b>–</b>	<b>38</b>	<b>–</b>

#### (i) Other disclosures

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Details for real estate development</b>				
Residential	166	27	158	26
<b>Total real estate for resale</b>	<b>166</b>	<b>27</b>	<b>158</b>	<b>26</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	166	27	158	26
<b>Total costs</b>	<b>166</b>	<b>27</b>	<b>158</b>	<b>26</b>
<b>Total real estate for resale</b>	<b>166</b>	<b>27</b>	<b>158</b>	<b>26</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	158	26	54	26
– Purchases and other costs	8	1	104	–
<b>Total real estate for resale</b>	<b>166</b>	<b>27</b>	<b>158</b>	<b>26</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

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

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#### Accounting policy for inventories and other assets

##### Raw materials and stores, work in progress and finished goods

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

##### Inventory held for distribution

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

##### Land held for resale/capitalisation of borrowing costs

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	965	–	965	842	–	–	–	(933)	–	–	–	874	–	874
Plant and equipment	9,583	(5,701)	3,882	349	–	(197)	(494)	–	11	–	–	9,659	(6,108)	3,551
Office equipment	625	(619)	6	5	–	–	(2)	–	–	–	–	630	(621)	9
Furniture and fittings	252	(252)	–	2	–	–	–	–	–	–	–	254	(252)	2
<b>Land:</b>														
– Operational land	6,976	–	6,976	98	–	–	–	–	–	(354)	1,618	8,338	–	8,338
– Community land	5,471	–	5,471	–	–	–	–	–	–	(369)	493	5,595	–	5,595
<b>Infrastructure:</b>														
– Buildings – specialised	32,389	(24,503)	7,886	55	–	–	(497)	–	113	–	–	32,557	(25,000)	7,557
– Other structures	1,606	(759)	847	68	–	–	(84)	–	–	–	–	1,674	(845)	829
– Roads	217,045	(80,840)	136,205	4,105	–	(1,257)	(3,349)	462	18	(20,108)	–	189,654	(73,278)	116,376
– Bridges	55,625	(33,646)	21,979	2,111	–	–	(674)	264	–	–	15,337	65,303	(26,549)	38,754
– Footpaths	1,242	(241)	1,001	56	21	–	(14)	–	2	–	–	1,319	(252)	1,067
– Bulk earthworks (non-depreciable)	91,946	–	91,946	1,170	–	–	–	160	–	–	74,373	167,649	–	167,649
– Stormwater drainage	35,010	(10,881)	24,129	482	–	–	(453)	36	–	–	–	35,492	(11,334)	24,158
– Swimming pools	2,525	(2,093)	432	16	–	–	(116)	–	–	–	–	2,541	(2,209)	332
– Other open space/recreational assets	5,978	(3,889)	2,089	78	–	–	(332)	11	–	–	–	6,067	(4,221)	1,846
<b>Other assets:</b>														
– Library books	790	(651)	139	38	–	–	(37)	–	–	–	–	828	(688)	140
<b>Reinstatement, rehabilitation and restoration assets (refer Note 11):</b>														
– Tip & quarry assets	2,381	(927)	1,454	–	–	–	(97)	–	–	–	–	2,381	(1,024)	1,357
<b>Total Infrastructure, property, plant and equipment</b>	<b>470,409</b>	<b>(165,002)</b>	<b>305,407</b>	<b>9,475</b>	<b>21</b>	<b>(1,454)</b>	<b>(6,149)</b>	<b>–</b>	<b>144</b>	<b>(20,831)</b>	<b>91,821</b>	<b>530,815</b>	<b>(152,381)</b>	<b>378,434</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	2,237	–	2,237	965	–	–	–	(2,237)	–	–	965	–	965
Plant and equipment	9,249	(5,632)	3,617	924	203	(387)	(474)	–	–	–	9,583	(5,701)	3,882
Office equipment	625	(616)	9	–	–	–	(3)	–	–	–	625	(619)	6
Furniture and fittings	252	(252)	–	–	1	–	–	–	–	–	252	(252)	–
<b>Land:</b>													
– Operational land	6,643	–	6,643	–	–	–	–	–	–	333	6,976	–	6,976
– Community land	3,760	–	3,760	–	–	–	–	–	–	1,711	5,471	–	5,471
<b>Infrastructure:</b>													
– Buildings – specialised	30,201	(22,937)	7,264	125	–	–	(507)	–	–	1,006	32,389	(24,503)	7,886
– Other structures	1,647	(691)	956	–	–	–	(95)	–	(14)	–	1,606	(759)	847
– Roads	213,379	(77,661)	135,718	4,226	–	(1,055)	(3,345)	664	–	–	217,045	(80,840)	136,205
– Bridges	55,625	(32,951)	22,674	–	–	–	(695)	–	–	–	55,625	(33,646)	21,979
– Footpaths	1,242	(230)	1,012	–	–	–	(11)	–	–	–	1,242	(241)	1,001
– Bulk earthworks (non-depreciable)	90,356	–	90,356	841	–	–	–	749	–	–	91,946	–	91,946
– Stormwater drainage	33,653	(10,428)	23,225	535	–	–	(453)	823	–	–	35,010	(10,881)	24,129
– Swimming pools	1,719	(1,283)	436	–	–	–	(70)	–	–	66	2,525	(2,093)	432
– Other open space/recreational assets	5,535	(2,983)	2,552	33	5	–	(327)	–	(172)	–	5,978	(3,889)	2,089
<b>Other assets:</b>													
– Library books	753	(616)	137	–	38	–	(35)	–	–	–	790	(651)	139
<b>Reinstatement, rehabilitation and restoration assets (refer Note 11):</b>													
– Tip assets	2,381	(851)	1,530	–	–	–	(76)	–	–	–	2,381	(927)	1,454
<b>Total Infrastructure, property, plant and equipment</b>	<b>459,257</b>	<b>(157,131)</b>	<b>302,126</b>	<b>7,649</b>	<b>247</b>	<b>(1,442)</b>	<b>(6,091)</b>	<b>(1)</b>	<b>(186)</b>	<b>3,116</b>	<b>470,409</b>	<b>(165,002)</b>	<b>305,407</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
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	<b>Buildings</b>	
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
<b>Stormwater assets</b>			
Drains	80 to 100		
Culverts	50 to 80		
Flood control structures	80 to 100		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	20	Bulk earthworks	Infinite
Sealed roads: structure	50	Swimming pools	80
Sealed roads: other	30 to 60	Unsealed roads	20
Unsealed roads	20	Other open space/recreational assets	50
Bridge: concrete	80	Other infrastructure	25
Bridge: timber	50		
Road pavements	80		
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(a). 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".

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

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

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Domestic waste management</b>						
Plant and equipment	143	86	57	138	86	52
Buildings	135	28	107	183	29	154
Other structures	132	66	66	128	66	62
Other assets	2	2	–	2	2	–
<b>Total DWM</b>	<b>412</b>	<b>182</b>	<b>230</b>	<b>451</b>	<b>183</b>	<b>268</b>
<b>Other restricted assets</b>						
– Stormwater drainage	35,492	11,334	24,158	35,046	10,880	24,166
<b>Total other restrictions</b>	<b>35,492</b>	<b>11,334</b>	<b>24,158</b>	<b>35,046</b>	<b>10,880</b>	<b>24,166</b>
<b><u>TOTAL RESTRICTED I,PP&amp;E</u></b>	<b>35,904</b>	<b>11,516</b>	<b>24,388</b>	<b>35,497</b>	<b>11,063</b>	<b>24,434</b>

## 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
<b>Payables</b>				
Goods and services – operating expenditure	2,240	–	688	–
Accrued expenses:				
– Other expenditure accruals	137	–	3	–
Security bonds, deposits and retentions	210	–	195	–
<b>Total payables</b>	<b>2,587</b>	<b>–</b>	<b>886</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	57	–	28	–
<b>Total income received in advance</b>	<b>57</b>	<b>–</b>	<b>28</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	233	4,559	142	1,101
Government advances	2	–	2	1
<b>Total borrowings</b>	<b>235</b>	<b>4,559</b>	<b>144</b>	<b>1,102</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>2,879</b>	<b>4,559</b>	<b>1,058</b>	<b>1,102</b>

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

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>2,879</b>	<b>4,559</b>	<b>1,058</b>	<b>1,102</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>2,879</b>	<b>4,559</b>	<b>1,058</b>	<b>1,102</b>

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

	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	1,243	3,549	–	–	–	4,792
Government advances	3	(1)	–	–	–	2
<b>TOTAL</b>	<b>1,246</b>	<b>3,548</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,794</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Payables and borrowings (continued)

	as at 30/6/2017					as at 30/6/2018
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	1,393	(150)	–	–	–	1,243
Government advances	5	(2)	–	–	–	3
<b>TOTAL</b>	<b>1,398</b>	<b>(152)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,246</b>

\$ '000	2019	2018
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## (c) Financing arrangements

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

Bank overdraft facilities <sup>1</sup>	–	300
Credit cards/purchase cards	77	30
<b>Total financing arrangements</b>	<b>77</b>	<b>330</b>

## Undrawn facilities as at balance date:

– Bank overdraft facilities	–	300
– Credit cards/purchase cards	71	30
<b>Total undrawn financing arrangements</b>	<b>71</b>	<b>330</b>

## Additional financing arrangements information

## Breaches and defaults

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

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

## Accounting policy for payables and borrowings

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

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

## Payables

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

## Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment 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
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	611	–	569	–
Sick leave	6	–	8	–
Long service leave	1,364	94	1,097	94
<b>Sub-total – aggregate employee benefits</b>	<b>1,981</b>	<b>94</b>	<b>1,674</b>	<b>94</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	2,897	–	2,813
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>2,897</b>	<b>–</b>	<b>2,813</b>
<b>Other provisions</b>				
Provision for impairment – aged units	–	–	113	–
<b>Sub-total – other provisions</b>	<b>–</b>	<b>–</b>	<b>113</b>	<b>–</b>
<b>TOTAL PROVISIONS</b>	<b>1,981</b>	<b>2,991</b>	<b>1,787</b>	<b>2,907</b>

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

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

Provisions – employees benefits	1,932	1,624
	<b>1,932</b>	<b>1,624</b>

#### (b) Description of and movements in provisions

\$ '000	ELE provisions			
	Annual leave	Sick leave	Long service leave	Total
<b>2019</b>				
At beginning of year	569	8	1,191	1,768
Other	42	(2)	267	307
<b>Total ELE provisions at end of period</b>	<b>611</b>	<b>6</b>	<b>1,458</b>	<b>2,075</b>
<b>2018</b>				
At beginning of year	599	8	1,458	2,065
Other	(30)	–	(267)	(297)
<b>Total ELE provisions at end of period</b>	<b>569</b>	<b>8</b>	<b>1,191</b>	<b>1,768</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Provisions (continued)

\$ '000	Other provisions		
	Provision for impairment - aged units	Asset remediation	Total
<b>2019</b>			
At beginning of year	113	2,813	2,926
Other	—	84	84
Total other provisions at end of period	113	2,897	3,010
<b>2018</b>			
At beginning of year	113	2,787	2,900
Additional provisions	—	26	26
Total other provisions at end of period	113	2,813	2,926

## Nature and purpose of non-employee benefit provisions

## Asset remediation

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

## Accounting policy for provisions

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

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

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

## Employee benefits

## Short-term obligations

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

## Other long-term employee benefit obligations

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

## On-costs

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Provisions (continued)

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

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

##### Restoration

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

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

##### Rehabilitation

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

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

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

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

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

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

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

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#### (a) Nature and purpose of reserves

##### Infrastructure, property, plant and equipment revaluation reserve

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

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

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

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

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

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

**Classification of financial assets**

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

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

**Measurement of equity instruments**

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

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

**Impairment of financial assets**

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

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
<b>Financial assets</b>						
Equity securities	Available for sale	FVOCI - Equity	56	–	–	56
Cash and cash equivalent assets	Loans and receivables	Amortised cost	2,128	–	–	2,128
Receivables	Loans and receivables	Amortised cost	1,287	–	–	1,287
Term deposits, FRN's	Held to maturity	Amortised cost	20,761	–	–	20,761
<b>Total financial assets under AASB 9 at 1 July 2018</b>			<b>24,232</b>	<b>–</b>	<b>–</b>	<b>24,232</b>
<b>Financial liabilities</b>						

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
Payables	Other financial liabilities	Other financial liabilities	2,644	—	—	2,644
Secured loans	Other financial liabilities	Other financial liabilities	4,792	—	—	4,792
Government advances	Other financial liabilities	Other financial liabilities	2	—	—	2
<b>Total financial liabilities under AASB 9 at 1 July 2018</b>			<b>7,438</b>	<b>—</b>	<b>—</b>	<b>7,438</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	2,128	1,168
<b>Balance as per the Statement of Cash Flows</b>		<b>2,128</b>	<b>1,168</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		1,678	3,602
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		6,149	6,091
Net losses/(gains) on disposal of assets		1,291	1,099
Share of net (profits)/losses of associates/joint ventures using the equity method		14	(86)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(490)	1,013
Increase/(decrease) in provision for impairment of receivables		48	—
Decrease/(increase) in inventories		(22)	83
Decrease/(increase) in other current assets		(9)	17
Increase/(decrease) in payables		1,552	1
Increase/(decrease) in other accrued expenses payable		134	—
Increase/(decrease) in other liabilities		44	8
Increase/(decrease) in provision for employee benefits		307	(297)
Increase/(decrease) in other provisions		(29)	26
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>10,667</b>	<b>11,557</b>

## 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	(14)	86	145	157
<b>Total</b>	<b>(14)</b>	<b>86</b>	<b>145</b>	<b>157</b>

## Joint arrangements

## (i) Joint ventures

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

## (a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2019	2018
Strategic Services Australia Limited	Joint venture	Accrual	145	157
<b>Total carrying amounts – material joint ventures</b>			<b>145</b>	<b>157</b>

## (b) Details

	Principal activity
Strategic Services Australia Limited	To improve quality and efficiency of local government services in the Hunter region.

## (c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
Strategic Services Australia Limited	2.9%	2.9%	2.9%	2.9%	7.7%	7.7%

## (d) Summarised financial information for joint ventures

\$ '000	Strategic Services Australia Limited	
	2019	2018
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,311	5,050
Other current assets	1,605	1,738
<b>Non-current assets</b>	329	471
<b>Current liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	795	682
Other current liabilities	1,446	1,068
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	20	40
<b>Net assets</b>	<b>4,984</b>	<b>5,469</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Interests in other entities (continued)

\$ '000	Strategic Services Australia Limited	
	2019	2018
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	5,469	2,468
Profit/(loss) for the period	(485)	3,001
<b>Closing net assets</b>	<b>4,984</b>	<b>5,469</b>
<b>Council's share of net assets (%)</b>	2.9%	2.9%
<b>Council's share of net assets (\$)</b>	145	158
<b>Statement of comprehensive income</b>		
Income	5,662	7,454
Depreciation and amortisation	(111)	(177)
Interest expense	(5)	(128)
Other expenses	(6,031)	(6,623)
<b>Profit/(loss) from continuing operations</b>	<b>(485)</b>	<b>526</b>
Profit/(loss) from discontinued operations	–	2,475
<b>Profit/(loss) for the period</b>	<b>(485)</b>	<b>3,001</b>
<b>Total comprehensive income</b>	<b>(485)</b>	<b>3,001</b>
<b>Share of income – Council (%)</b>	2.9%	2.9%
<b>Profit/(loss) – Council (\$)</b>	(14)	86
<b>Total comprehensive income – Council (\$)</b>	(14)	86

**Accounting policy for joint arrangements**

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Commitments

\$ '000	2019	2018
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## (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**

Other	2,745	—
<b>Total commitments</b>	<b>2,745</b>	<b>—</b>

**These expenditures are payable as follows:**

Within the next year	2,745	—
<b>Total payable</b>	<b>2,745</b>	<b>—</b>

**Sources for funding of capital commitments:**

Future grants and contributions	745	—
Unexpended loans	2,000	—
<b>Total sources of funding</b>	<b>2,745</b>	<b>—</b>

**Details of capital commitments**

Council has contracts in place for the construction of 2 x concrete bridges which are to replace existing timber bridges. The contract for these projects was signed in 2019, with construction to 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	31	2
Later than one year and not later than 5 years	94	1
<b>Total non-cancellable operating lease commitments</b>	<b>125</b>	<b>3</b>

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

Leased assets comprise computer and other equipment.

**Conditions relating to finance and operating leases:**

- All finance agreements are secured only against the leased asset.
- 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 member contributions

\* For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

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

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

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

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

## 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 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 \$104,357.93. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, which related to the period ended 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$78,400.00. Council's expected contribution to the plan for the next annual reporting period is \$113,084.56.

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.

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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**(iv) Strategic Services Australia Limited (previously Hunter Councils Limited)**

Council is a joint guarantor for a loan of \$2.86 million which was drawn down on July 1, 2003 by Hunter Councils Limited. The total loan approved was for \$3.4 of which Council's exposure will be \$97,920.

#### **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.

#### **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.

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	2,128	1,168	1,994	1,168
Receivables	1,287	850	1,195	850
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	20,761	16,261	13,000	8,500
<b>Fair value through profit and loss</b>				
Investments				
– 'Held for trading'	56	–	–	–
– 'Designated at fair value on initial recognition'	–	500	7,761	8,261
<b>Total financial assets</b>	<b>24,232</b>	<b>18,779</b>	<b>23,950</b>	<b>18,779</b>
<b>Financial liabilities</b>				
Payables	2,587	886	2,294	886
Loans/advances	4,794	1,246	4,818	1,246
<b>Total financial liabilities</b>	<b>7,381</b>	<b>2,132</b>	<b>7,112</b>	<b>2,132</b>

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Financial risk management (continued)

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 1% movement in interest rates	228	228	(228)	(228)
<b>2018</b>				
Possible impact of a 1% movement in interest rates	179	179	(179)	(179)

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Financial risk management (continued)

## (b) Credit risk

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be high credit quality.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

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

## Credit risk profile

## Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; 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 payment.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	–	214	96	48	33	391
<b>2018</b>						
Gross carrying amount	–	282	109	37	28	456

## 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
<b>2019</b>						
Gross carrying amount	633	13	184	99	15	944
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	100.00%	1.59%
<b>ECL provision</b>	–	–	–	–	15	15
<b>2018</b>						
Gross carrying amount	163	211	–	20	–	394
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–

continued on next page ...

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## 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		
<b>2019</b>							
Trade/other payables	0.00%	210	2,225	–	–	2,435	2,587
Loans and advances	3.19%	–	380	1,850	3,939	6,169	4,794
<b>Total financial liabilities</b>		<b>210</b>	<b>2,605</b>	<b>1,850</b>	<b>3,939</b>	<b>8,604</b>	<b>7,381</b>
<b>2018</b>							
Trade/other payables	0.00%	195	647	–	–	842	886
Loans and advances	4.86%	–	144	424	721	1,289	1,246
<b>Total financial liabilities</b>		<b>195</b>	<b>791</b>	<b>424</b>	<b>721</b>	<b>2,131</b>	<b>2,132</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 28 June 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	7,491	7,420	(71)	(1)% U
User charges and fees	1,452	1,219	(233)	(16)% U
Lower than expected user fees from caravan park, landfill and certificates and inspections.				
Interest and investment revenue	448	531	83	19% F
Higher level of investments held during the year than originally anticipated.				
Other revenues	1,266	839	(427)	(34)% U
Sale of real estate assets did not occur as anticipated.				
Operating grants and contributions	4,258	4,996	738	17% F
Early receipt of 2020 Financial Assistance Grants.				
Capital grants and contributions	6,949	5,924	(1,025)	(15)% U
Road project funding not received as anticipated.				



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>EXPENSES</b>				
Employee benefits and on-costs	4,856	4,847	9	0% <b>F</b>
Borrowing costs	170	118	52	31% <b>F</b>
New borrowings drawn down later than anticipated to take advantage of lower interest rates.				
Materials and contracts	5,513	4,900	613	11% <b>F</b>
IT licencing costs; roads, parks & gardens, sporting grounds maintenance all lower than anticipated.				
Depreciation and amortisation	6,130	6,149	(19)	0% <b>U</b>
Other expenses	2,123	1,932	191	9% <b>F</b>
Savings in energy, insurance and general office expenses.				
Net losses from disposal of assets	153	1,291	(1,138)	(744)% <b>U</b>
Plant turnover lower than expected.				
Joint ventures and associates – net losses	–	14	(14)	∞ <b>U</b>
<b>STATEMENT OF CASH FLOWS</b>				
Net cash provided from (used in) operating activities	9,203	10,667	1,464	16% <b>F</b>
Materials & contracts payments lower than expected.				
Net cash provided from (used in) investing activities	(13,318)	(13,255)	63	0% <b>F</b>
Net cash provided from (used in) financing activities	2,386	3,548	1,162	49% <b>F</b>
Higher than anticipated proceeds from borrowings.				

## 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 unobserv-able inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment	9(a)					
Operational land		30/06/2018	—	8,338	—	8,338
Community land		30/06/2018	—	5,595	—	5,595
Buildings		30/06/2018	—	—	7,444	7,444
Other structures		30/06/2018	—	—	2,982	2,982
Roads		30/06/2019	—	—	116,358	116,358
Bridges		30/06/2019	—	—	38,754	38,754
Footpaths			—	—	1,067	1,067
Bulk earthworks		30/06/2019	—	—	167,649	167,649
Stormwater drainage			—	—	24,158	24,158
Other assets			—	—	131	131
Restoration assets			—	—	1,357	1,357
Plant and Equipment			—	—	3,596	3,596
Total infrastructure, property, plant and equipment			—	13,933	363,496	377,429

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

2018	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 unobserv-able inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment	9(a)					
Operational land			—	6,976	—	6,976
Community land			—	5,471	—	5,471
Buildings			—	—	7,886	7,886
Other structures			—	—	3,368	3,368
Roads			—	—	136,205	136,205
Bridges			—	—	21,979	21,979
Footpaths			—	—	1,001	1,001
Bulk earthworks			—	—	91,946	91,946
Stormwater drainage			—	—	24,129	24,129
Other assets			—	—	139	139
Restoration assets			—	—	1,454	1,454
Plant and Equipment			—	—	3,888	3,888
Total infrastructure, property, plant and equipment			—	12,447	291,995	304,442

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

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

##### **Current Replacement Costs (CRC)**

Current Replacement Cost is the minimum that it would cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent asset with the same economic benefits.

##### **Residual Value (RV)**

The Residual Value of an asset is the estimated amount that would be obtained today from disposal of the asset after deducting the estimated costs of disposal.

##### **Condition Assessment**

Condition assessment of the various assets has been undertaken IPWEA guidelines and Council requirements using the skills of consultants, experienced engineering and operational staff. All assets, with the exception of unsealed roads, have been rated using a 1 to 5 rating system where a rating of 1 represents "as new" condition and a rating of 5 represents "very poor" condition requiring renewal of the asset. Unsealed Roads have been rated utilising a 1 to 3 rating system where a rating of 1 represents "as new" condition and a rating of 3 represents "very poor" condition requiring renewal of the asset.

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

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

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

##### **Plant & equipment, office equipment and furniture & fittings**

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The purchase cost of these assets is taken as their fair value. There has been no change in the valuation process during the period.

##### **Operational land**

The valuation of Council's operational land was undertaken as at 30 June 2018 by Nicholas Brady Valuations (NICHOLAS BRADY AAPI (VAL,P&M) Certified Practising Valuer, Real Estate Valuers, Registration No. 3609).

The land value has been assessed by direct comparison on a rate per square metre, and has been valued in accordance with the Dungog Shire Council Draft LEP 2013. The valuations were based on the Draft LEP 2013 as the "market place" would also have due regard to the proposed zoning. Sale prices of comparable land parcels were considered where appropriate. The most significant unobservable input into the valuation of operational land is the price per square metre. These assets have been classified as using Level 3 valuation inputs due to the professional judgement required and used by the Valuer to determine the price per square metre. There have been no changes in the valuation process during the period.

##### **Community Land**

Land values based on the 2016 valuation made by the Valuer-General were used to value Council's Community Land, where the Valuer-General did not provide a land value, an average unit rate based on similar properties was used taking into regard the highest or best use for the land. As these rates are not considered to be observable market evidence they have been classified as Level 3 valuation inputs. There has been no change in the valuation process during the period.

##### **Buildings**

Council's buildings were valued using the summation (cost) approach by Nicholas Brady Valuations (NICHOLAS BRADY AAPI (VAL, P&M) Certified Practising Valuer, Real Estate Valuers, Registration No. 3609) as at 30 June 2018.

Having regard to the specialised nature of the majority of the improvements, Council's buildings were valued by the Summation Approach, whereby the depreciated replacement cost of the improvements is added to the land value.

The replacement cost of each building was estimated taking into account different components within the building, their use and useful lives. The unit rate could be supported by market evidence making it a Level 2 input, however, inputs such as estimates of residual use, and patterns of consumption required significant professional judgement and impact significantly on

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

the final determination of fair value. As such, these assets have been valued using Level 3 unobservable inputs. There have been no changes in the valuation process during the period.

#### Roads

Roads have been classified into Regional, Rural Local Sealed, Rural Local Unsealed, Urban Local Sealed and Urban Local Unsealed Roads categories for condition rating and valuation purposes.

#### Sealed Roads - All

Data collection - data collection for sealed roads was undertaken by external consultants utilising video and in-vehicle roughness count technologies. Where an intersection occurs, the pavement values are attributed to the through road.

Componentisation - road assets have been componentised in accordance with required guidelines. Sealed roads have been broken down into three (3) components being earthworks (non-depreciable), pavement and seal. The pavement and seal have been separated due to different life expectations for these two components. Costs are based upon existing road dimensions.

Condition - condition assessment was undertaken by external consultants utilising video and in-vehicle roughness count technologies. The roads have been segmented and the pavement condition information detailed for each segment. Condition indicators were collected as follows:-

- Regional Roads:-
  - o Roughness - NAASRA standards used
  - o Pavement defects - by area
  - o Surface defects - by area
  - o Cracking - all cracking types recorded by area
- Local Sealed Roads (Rural and Urban):-
  - o Pavement defects - by area
  - o Surface defects - by area
  - o Cracking - all cracking types recorded by area

From the above condition indicators, a 1 to 5 rating system was utilised to identify the condition of the asset.

Percentage life remaining - the rating of the road was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:

Rating	Factor applied	Percentage Depreciated	% Life Remaining
1	0	0 %	100 %
2	4	16 %	84 %
3	9	36 %	64 %
4	16	64 %	36 %
5	25	100 %	0 %

Useful life - traffic volumes and geographical location play little part in the life of a road asset as it is assumed that the asset was designed for the traffic loadings to be carried. Useful lives have therefore been determined based upon experience, observed lives of assets and industry standards as follows:

- Earthworks - no useful life has been applied as earthworks do not depreciate over time.
- Pavement - the useful life of a sealed pavement was adopted as 60 years based upon the following:
  - 0 year - Year of construction
  - 15 years - Reseal
  - 30 years - Rehabilitation
  - 45 years - Reseal
  - 60 years - Full reconstruction
- Seal - The useful life of the seal was based on 20 years as per industry standard;

Current Replacement Cost (CRC) - the CRC has been determined as follows:

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

- Earthworks - CRC is based on topography to determine the amount of earthworks required and current costings for the construction of the earthworks in today's dollars;
  - Pavement - CRC has been based upon the cost to rehabilitate these roads utilising the average of three (3) recent projects undertaken by Council;
  - Seal - CRC has been based upon current contracted sealing costs through Dungog Shire Council's involvement with the regional procurement tenders.
- Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of sealed roads, it was determined that the following residual values apply:
- Earthworks - have an indefinite life/residual value and will therefore not be depreciated;
  - Pavements - whilst pavements may have some residual value in terms of the possibility of the in-situ material being re-used in the rehabilitation of the pavement. It has, however, been determined that existing pavements would need to be treated (stabilised) or replaced at the end of their useful lives and the cost of such would more or less negate the value of that pavement component. Therefore, the residual value has been determined to have no material value in the calculation of depreciation;
  - Seals - These have no financial implications on the application of the next seal. Therefore there is no residual value.

Depreciation - all sealed road assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data Limitations – inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

#### Unsealed Roads - All

Data collection - data collection for sealed roads was undertaken by external consultants utilising video and in-vehicle roughness count technologies. Where an intersection occurs, the pavement values are attributed to the through road.

Componentisation - the road asset has been componentised in accordance with required guidelines. As there is no "surface" on unsealed roads, the unsealed road asset has been broken down into two (2) components being earthworks (non-depreciable) and pavement. Costs are based upon existing road dimensions.

Condition - The roads have been segmented and assessment undertaken by experienced Council engineering and operational staff. As the surface condition of unsealed roads is highly changeable due to weather and climatic conditions, the condition was then based upon the depth of gravel on individual sections. From these indicators, a 1 to 3 rating system was utilised to identify the condition of the asset.

Percentage life remaining - as the rating of the road was based upon depth of gravel and it is expected that this depth will deteriorate consistently over time, the percentage of life remaining was based upon a straight line depreciation model. This process may be reviewed for future revaluations.

Useful life - Useful lives have been determined based upon experience, observed lives of assets and industry standards as follows:

- Earthworks - no useful life has been applied as earthworks do not depreciate over time.
  - Pavement - the useful life of the unsealed pavement was adopted as 20 years based upon experience and observed lives of assets.
- Current Replacement Cost (CRC) - the CRC has been determined as follows:
- Earthworks - CRC has been based on topography to determine the amount of earthworks required and current costings for the construction of the earthworks in today's dollars;
  - Pavement - CRC has been based upon the minimum gravel depths as determined by Council standards as set out in Council's "Road Strategy", normal Council practice and current costings for the construction of the pavement in today's dollars.

Residual values - In practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of unsealed roads, it was determined that the following residual values apply:

- Earthworks - have an indefinite life/residual value and will therefore not be depreciated;

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

- Pavements - in the case of unsealed road pavements, full depreciation or end of useful life is determined when there is no residual gravel on the pavement. By definition, there is no material available to be re-used therefore there is no residual value for the determination of depreciation.

Depreciation - all unsealed road assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data limitations – inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

#### Bridges

In accordance with the definitions used by the Grants Commission, a structure with an opening of greater than 6m in deck length is assessed as a bridge. Bridges have been broken down into timber structures (full or part timber construction) and non-timber structures (primarily concrete or concrete/steel structures) for condition rating and valuation purposes.

#### Timber Bridges

Data collection - data collection for timber bridges was undertaken via physical measurement by Council staff to determine dimensions.

Componentisation - timber bridge assets have been componentised into two (2) components being substructure and superstructure. The substructure and superstructure have been separated to allow for differential condition rating of these two components.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each bridge. A 1 to 5 rating system was then utilised to identify the condition of each component of the asset and an average condition of these two components adopted as the overall bridge condition.

Percentage life remaining - the rating of the timber bridge was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:

Rating	Percentage Depreciated	% Life Remaining
1	0 %	100 %
2	16 %	84 %
3	36 %	64 %
4	64 %	36 %
5	100 %	0 %

Useful life - useful lives have therefore been determined based upon experience, observed lives of assets and industry standards. The useful life of a timber bridge has been adopted as 50 years.

Current Replacement Cost (CRC) - the CRC has been determined has been determined based upon experience, observed lives of assets and industry standards.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of timber bridges, there would be no residual components that would have any value in the replacement of the asset with a concrete structure. Therefore there is no residual value applied.

Depreciation - all timber bridges have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data Limitations – inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

#### Non-Timber Bridges

Data collection - data collection for non-timber bridges was undertaken via physical measurement by Council staff to determine dimensions.

Componentisation - non-timber bridge assets have not been componentised any further than it being a single asset.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each bridge. A 1 to 5 rating system was then utilised to identify the condition of the asset.

Percentage life remaining - as non-timber bridges deteriorate at a different rate to timber bridges, the following exponential decay curve was utilised to calculate the percentage of life remaining:

Rating	Percentage Depreciated	% Life Remaining
1	0 %	100 %
2	16 %	84 %
3	36 %	64 %
4	64 %	36 %
5	100 %	0 %

Useful life - useful lives have therefore been determined based upon experience, observed lives of assets and industry standards. The useful life of a non-timber bridge has been adopted as 80 years.

Current Replacement Cost (CRC) - the CRC has been determined based upon the Rawlinson's Australian Construction Handbook, recent bridge tenders received by Council and industry standards.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of non-timber bridges, there would be no residual components that would be expected to last double the 80 year useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - all non-timber bridges have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data limitations – inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

#### Rural stormwater drainage & causeways

Drainage structures on the rural road network have been broken down into culvert structures and causeways.

#### Culvert Structures

Data collection - data collection was undertaken via physical measurement by Council staff to determine dimensions. There is a limitation in the data due to only 23% of unsealed rural roads, 48% of sealed rural roads and 96% of regional roads stormwater network being inspected and the data from this applied across the entire rural stormwater network.

Componentisation - the culvert asset has been componentised into two (2) components being the culvert pipe or box section and the headwall component. These have been separated to allow for differential condition rating of these two components.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each structure. A 1 to 5 rating system was then utilised to identify the condition of each component of the asset and an average condition of these two components adopted as the overall culvert structure condition.

Percentage life remaining - the rating of the structure was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

Rating	Percentage Depreciated	% Life Remaining
1	0 %	100 %
2	16 %	84 %
3	36 %	64 %
4	64 %	36 %
5	100 %	0 %

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.  
Current Replacement Cost (CRC) - the CRC has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of concrete culvert structures, there would be no residual components that would be expected to last double the initial useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - all concrete culvert structures have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

**Causeways**

Data collection - data collection for causeways was undertaken via physical measurement by Council staff to determine dimensions.

Componentisation - the causeway asset has been componentised into two (2) components being the culvert pipe or box section (if existing) and the causeway component. These have been separated to allow for differential condition rating of these two components.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each bridge. A 1 to 5 rating system was then utilised to identify the condition of the asset.

Percentage life remaining - the rating of the structure was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:

Rating	Percentage Depreciated	% Life Remaining
1	0 %	100 %
2	16 %	84 %
3	36 %	64 %
4	64 %	36 %
5	100 %	0 %

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - the CRC has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of concrete causeway structures, there would be no residual components that would be expected to last double the 80 year useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - all causeway structures have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

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#### Urban stormwater drainage

Data collection - data collection was undertaken via physical measurement by Council staff and Council records to determine dimensions.

Componentisation - the asset has been componentised into individual components within the asset class.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each structure. A 1 to 5 rating system was then utilised to identify the condition of each component of the asset and an average condition of these two components adopted as the overall culvert structure condition.

Percentage life remaining - the rating of the asset was then utilised to determine the percentage of life remaining.

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - the CRC has been determined has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of concrete culvert structures, there would be no residual components that would be expected to last double the initial useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - all concrete culvert structures have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

#### Footpath, kerb & gutter and guardrail

Ancillary items on the road network have been broken down into footpaths, kerb & gutter and guardrail assets.

#### Footpaths and Kerb & Gutter

Data collection - data collection was undertaken via physical measurement by Council staff to determine dimensions and use of aerial photography for confirmation.

Componentisation - footpaths, bike paths and kerb & gutter have been segmented to different locations and identified as individual assets.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each asset. A 1 to 5 rating system was then utilised to identify the condition of each asset.

Percentage life remaining - the rating of the asset was then used to calculate the percentage of life remaining.

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - the CRC has been determined has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of these assets, there would be no residual components that would be expected to last double the initial useful life. Whilst there may be a residual earthworks value, this would be negated by the cost to remove the existing fully depreciated asset. Therefore there is no residual value applied.

Depreciation - all of these assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

#### Guardrail

Data Collection - data collection was undertaken via physical measurement by Council staff to determine dimensions and use of aerial photography for confirmation.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

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Componentisation - guardrail sections have been identified as individual assets.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each section. A 1 to 5 rating system was then utilised to identify the condition of each asset.

Percentage life remaining - the rating of the guardrail was then used to calculate the percentage of life remaining.

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - the CRC has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of guardrail, there would be no residual components that would be expected to last double the initial useful life. Therefore there is no residual value applied.

Depreciation - all guardrail assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

#### **Park assets (non-building) & other structures**

Data collection - data collection was undertaken via physical measurement by Council staff to determine dimensions and use of aerial photography for confirmation.

Componentisation - asset have been identified as individual assets.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each section. A 1 to 5 rating system was then utilised to identify the condition of each asset.

Percentage life remaining - the rating of the asset was then used to calculate the percentage of life remaining.

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - the CRC has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of these assets, there would be no residual components that would be expected to last double the initial useful life. Therefore there is no residual value applied.

Depreciation - all of these assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

#### **Landfill and quarry assets**

See note 11 for background and breakdown of these assets.

Values are estimates of rehabilitation costs, and these included capping of landfill, revegetation of roadside quarries, battering of high walls, safety fencing and other associated restoration works.

There is extensive professional judgement which impacts significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there is uncertainty regarding the design, specification and dimensions of these assets.

Inputs include discount rates, cost escalation, cost timing and regulation changes.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

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

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

\$ '000	Building specialised	Other structures	Roads	Bridges	Bulk earthworks
<b>2018</b>					
<b>Opening balance</b>	7,264	3,944	135,718	22,674	90,356
Purchases (GBV)	125	38	4,226	–	841
Disposals (WDV)	–	–	(1,055)	–	–
Depreciation and impairment	(507)	(492)	(3,348)	(695)	–
Revaluation	1,004	(122)	–	–	–
Transfer from WIP	–	–	664	–	749
<b>Closing balance</b>	<b>7,886</b>	<b>3,368</b>	<b>136,205</b>	<b>21,979</b>	<b>91,946</b>
<b>2019</b>					
<b>Opening balance</b>	7,886	3,368	136,205	21,979	91,946
Purchases (GBV)	55	162	4,105	2,111	1,170
Disposals (WDV)	–	–	(1,257)	–	–
Depreciation and impairment	(497)	(532)	(3,349)	(674)	–
Revaluation	–	–	(20,108)	15,337	74,373
Transfer from WIP	–	11	762	–	160
<b>Closing balance</b>	<b>7,444</b>	<b>3,009</b>	<b>116,358</b>	<b>38,753</b>	<b>167,649</b>
YE 17/18	7,886	3,368	136,205	21,979	91,946
YE 18/19	7,444	3,009	116,358	38,754	167,649

\$ '000	Footpaths	Stormwater drainage	Other assets
<b>2018</b>			
<b>Opening balance</b>	1,012	23,225	138
Purchases (GBV)	–	535	34
Depreciation and impairment	(11)	(453)	(32)
Transfer from WIP	–	822	–
<b>Closing balance</b>	<b>1,001</b>	<b>24,129</b>	<b>139</b>
<b>2019</b>			
<b>Opening balance</b>	1,001	24,129	139
Purchases (GBV)	77	482	38
Depreciation and impairment	(14)	(453)	(37)
Transfer from WIP	–	–	–
<b>Closing balance</b>	<b>1,064</b>	<b>24,158</b>	<b>140</b>
YE 17/18	1,001	24,129	139
YE 18/19	1,064	24,158	140

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

\$ '000	Plant and equipment	Restoration assets	Total
<b>2018</b>			
Opening balance	3,625	1,530	289,486
Purchases (GBV)	1,127	–	6,926
Disposals (WDV)	(387)	–	(1,442)
Depreciation and impairment	(477)	(76)	(6,091)
Revaluation	–	–	882
Transfer from WIP	–	–	2,235
<b>Closing balance</b>	<b>3,888</b>	<b>1,454</b>	<b>291,995</b>
<b>2019</b>			
Opening balance	3,888	1,454	291,995
Purchases (GBV)	349	–	8,549
Disposals (WDV)	(197)	–	(1,454)
Depreciation and impairment	(477)	(97)	(6,130)
Revaluation	–	–	69,602
Transfer from WIP	–	–	933
<b>Closing balance</b>	<b>3,563</b>	<b>1,357</b>	<b>363,495</b>
YE 17/18	3,888	1,454	291,995
YE 18/19	3,563	1,357	363,496

## b. 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
<b>Infrastructure, property, plant and equipment</b>			
Building specialised	7,557	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Other structures	3,007	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Roads	116,376	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Bridges	38,754	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Bulk earthworks	167,649	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Footpaths	1,067	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Stormwater drainage	24,158	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Other assets	140	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Plant and equipment	3,551	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Restoration assets	1,357	Cost approach	Environmental legislation, timing of expected cash outflows, asset condition

## (4) Highest and best use

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 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
<b>Compensation:</b>		
Short-term benefits	962	938
Post-employment benefits	113	82
<b>Total</b>	<b>1,075</b>	<b>1,020</b>

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

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

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
<b>\$ '000</b>					
<b>2019</b>					
Concrete products <sup>1</sup>	202	—		—	—

(1) Council purchased concrete and associated products during the year from two companies that had close family members of Dungog Shire Council's KMP as key owners. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement processes.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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Council is aware of the following 'non-adjusting event' that merits disclosure:

Council is aware that on 23 September 2019, a favourable ruling was made in the Land and Environment Court of New South Wales, in relation to matters concerning Martins Creek Quarry. Council had previously succeeded in legal action taken against the operators of the quarry, however the operators had sought a stay of order no. 6 in relation to a previous Court of Appeal decision.

The matter has now been finalised and all avenues for appeal have been exhausted. Costs were awarded to Council, the quantum of which are yet to be determined.



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 22. Statement of developer contributions

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

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

#### Summary of contributions and levies

	as at 30/6/2018		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>\$ '000</b>									
Roads	373		7	–	5	–	–	385	–
Traffic facilities	7		–	–	–	–	–	7	–
Open space	5,137		285	–	78	–	–	5,500	–
Community facilities	134		2	–	1	–	–	137	–
Other	2		232	–	5	–	–	239	–
Bushfire	52		–	–	–	–	–	52	–
<b>S7.11 contributions – under a plan</b>	<b>5,705</b>		<b>526</b>	<b>–</b>	<b>89</b>	<b>–</b>	<b>–</b>	<b>6,320</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>5,705</b>		<b>526</b>	<b>–</b>	<b>89</b>	<b>–</b>	<b>–</b>	<b>6,320</b>	<b>–</b>
S7.11 not under plans	11		–	–	–	–	–	11	–
<b>Total contributions</b>	<b>5,716</b>		<b>526</b>	<b>–</b>	<b>89</b>	<b>–</b>	<b>–</b>	<b>6,331</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2018			Contributions received during the year	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash					Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>\$ '000</b>									
<b>S7.11 Contributions – under a plan</b>									
<b>CONTRIBUTION PLAN NUMBER 2</b>									
Roads	11	–	–	–	–	–	–	11	–
Traffic facilities	7	–	–	–	–	–	–	7	–
Open space	18	–	–	–	–	–	–	18	–
Community facilities	32	–	–	–	–	–	–	32	–
Bushfire	22	–	–	–	–	–	–	22	–
<b>Total</b>	<b>90</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>90</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 3</b>									
Roads	362	7	–	5	–	–	–	374	–
Open space	30	–	–	1	–	–	–	31	–
Community facilities	102	2	–	1	–	–	–	105	–
Bushfire	30	–	–	–	–	–	–	30	–
Other	2	–	–	–	–	–	–	2	–
<b>Total</b>	<b>526</b>	<b>9</b>	<b>–</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>542</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
CONTRIBUTION PLAN NUMBER 4								
Other	194	—	—	—	—	—	194	—
Sports fields	1,602	86	—	24	—	—	1,712	—
Parklands	77	5	—	1	—	—	83	—
Swimming pools	418	21	—	6	—	—	445	—
Indoor sports	434	22	—	7	—	—	463	—
Local community centre	154	8	—	2	—	—	164	—
District community centre	105	5	—	2	—	—	112	—
Youth venue	81	4	—	1	—	—	86	—
Arts and crafts centre	23	1	—	—	—	—	24	—
Aged facilities	75	4	—	1	—	—	80	—
Library	232	12	—	4	—	—	248	—
Pre school	285	14	—	4	—	—	303	—
Rural sub-arterial roads	260	20	—	4	—	—	284	—
Rural local roads	365	26	—	6	—	—	397	—
Traffic management	33	2	—	—	—	—	35	—
Bikeways facilities	88	3	—	2	—	—	93	—
Fire service	446	24	—	7	—	—	477	—
Section 94 administration	208	28	—	6	—	—	242	—
Unsealed roads and bridges	9	—	—	—	—	—	9	—
Total	5,089	285	—	77	—	—	5,451	—
CONTRIBUTION PLAN NUMBER 5								
Roads	—	183	—	3	—	—	186	—
Open space	—	46	—	2	—	—	48	—
Other	—	3	—	—	—	—	3	—
Total	—	232	—	5	—	—	237	—

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2018		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>\$ '000</b>									
<b>S7.11 Contributions – not under a plan</b>									
<b>S7.11 CONTRIBUTIONS – NOT UNDER A PLAN</b>									
Roads	2		–	–	–	–	–	2	–
Open space	9		–	–	–	–	–	9	–
<b>Total</b>	<b>11</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>11</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018      2017		Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	(2,941)	(19.60)%	(21.84)%	(17.51)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	15,005				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	9,914	47.37%	42.28%	40.49%	>60.00%
Total continuing operating revenue <sup>1</sup>	20,929				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	14,557	4.97x	8.39x	8.24x	>1.50x
Current liabilities less specific purpose liabilities	2,928				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	3,326	11.47x	12.02x	11.53x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	290				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	358	4.58%	6.13%	6.03%	<10.00%
Rates, annual and extra charges collectible	7,817				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	15,128	18.09 mths	10.19 mths	8.31 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	836				

(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.

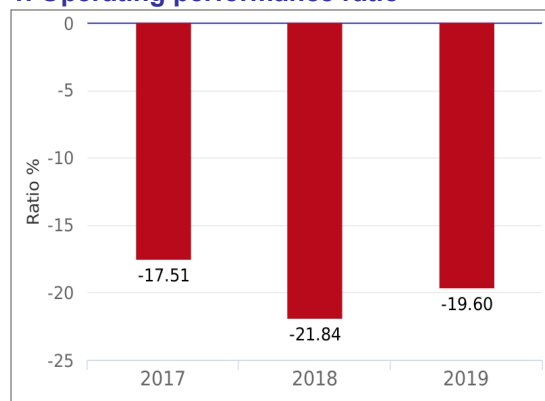
(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23(b). Statement of performance measures – 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 (19.60)%

Council's operating performance ratio improved slightly due to lower revenue from capital grants & contributions.

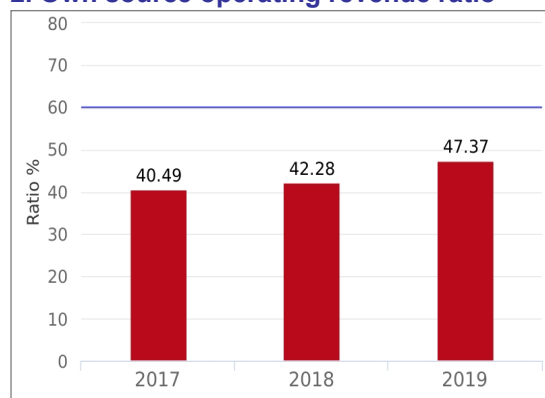
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

### 2. Own source operating revenue ratio



#### Purpose of own source operating revenue ratio

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

#### Commentary on 2018/19 result

2018/19 ratio 47.37%

Council's own source operating revenue ratio improved from the previous year, primarily as a result of a reduction in grant funding received.

Whilst this ratio remains well below the required 60% benchmark, Council will seek to increase its own source income in future years.

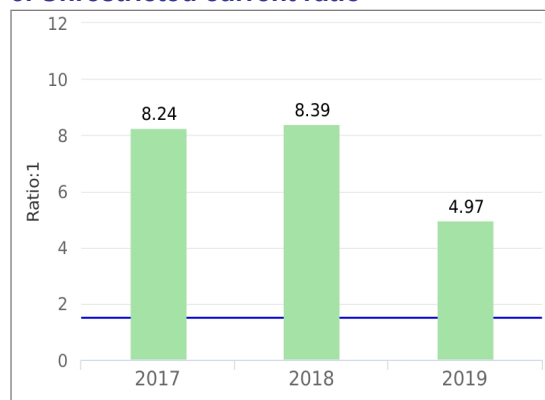
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

### 3. Unrestricted current ratio



#### Purpose of unrestricted current ratio

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

#### Commentary on 2018/19 result

2018/19 ratio 4.97x

The unrestricted current ratio decreased due to an increase in restrictions and a short term increase in current liabilities at the end of the financial year.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

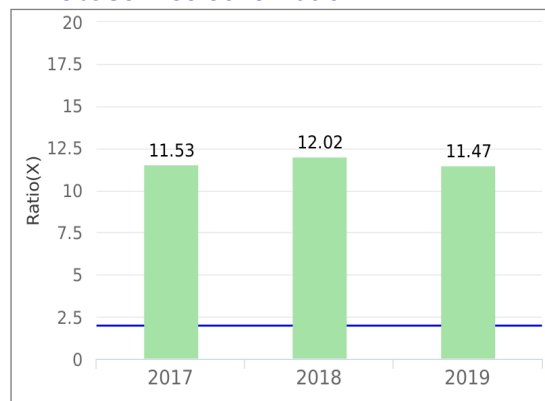
Ratio is outside benchmark

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23(b). 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 11.47x

Council continues to maintain sufficient capacity to service its debt obligations.

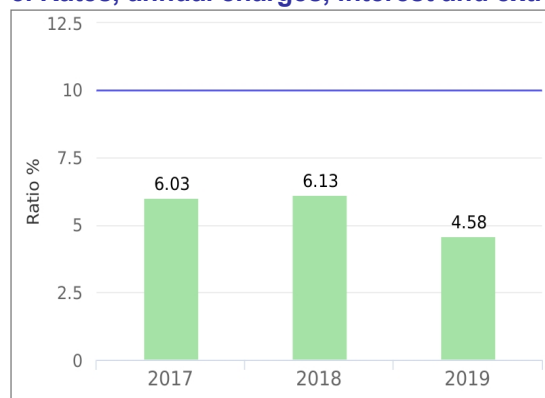
Benchmark: — > 2.00x

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 4.58%

Council's improved result is due to an increase in its debt recovery activity during the year.

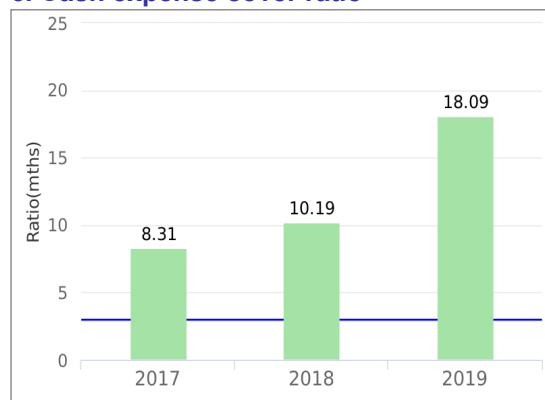
Benchmark: — < 10.00%

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 18.09 mths

Council is able to pay its immediate expenses without additional cashflow, for a period of over 16 months.

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

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**Principal place of business:**

198 Dowling Street  
Dungog NSW 2420

**Contact details**

**Mailing Address:**

PO Box 95  
Dungog NSW 2420

**Opening hours:**

8:45am - 4:30pm  
Monday to Friday

**Telephone:** 02 4995 7777

**Facsimile:** 02 4995 7750

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

**Email:** [shirecouncil@dungog.nsw.gov.au](mailto:shirecouncil@dungog.nsw.gov.au)

**Officers**

**General Manager**

Coralie Nichols

**Elected members**

**Mayor**

Tracy Norman

**Responsible Accounting Officer**

Shaun Chandler

**Auditors**

Auditor General NSW

**Other information**

**ABN:** 62 610 350 256





## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Dungog Shire Council

To the Councillors of the Dungog Shire Council

### Opinion

I have audited the accompanying financial statements of Dungog 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 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 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - 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.



Furqan Yousuf

Delegate of the Auditor-General for New South Wales

29 November 2019  
SYDNEY

# Dungog Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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Special Schedules  
for the year ended 30 June 2019

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

## Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	5,671	5,525
Plus or minus adjustments <sup>2</sup>	b	22	19
<b>Notional general income</b>	$c = a + b$	<b>5,693</b>	<b>5,544</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>3</sup>	d	15.00%	0.00%
Or rate peg percentage	e	0.00%	2.30%
Plus special variation amount	$h = d \times (c + g)$	854	—
Or plus rate peg amount	$i = e \times (c + g)$	—	128
<b>Sub-total</b>	$k = (c + g + h + i + j)$	<b>6,547</b>	<b>5,672</b>
Plus (or minus) last year's carry forward total	l	—	16
Less valuation objections claimed in the previous year	m	—	(17)
<b>Sub-total</b>	$n = (l + m)$	<b>—</b>	<b>(1)</b>
<b>Total permissible income</b>	$o = k + n$	<b>6,547</b>	<b>5,671</b>
Less notional general income yield	p	6,546	5,671
<b>Catch-up or (excess) result</b>	$q = o - p$	<b>—</b>	<b>—</b>
<b>Carry forward to next year <sup>6</sup></b>	$t = q + r + s$	<b>—</b>	<b>—</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### Dungog Shire Council

To the Councillors of Dungog Shire Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

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



My opinion does not provide assurance:

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

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

Furqan Yousuf

Delegate of the Auditor-General for New South Wales

29 November 2019  
SYDNEY

## Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	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
<b>Buildings</b>	Buildings	6,662	28,201	490	172	7,444	32,444	0.0%	1.0%	12.0%	74.0%	13.0%
	<b>Sub-total</b>	<b>6,662</b>	<b>28,201</b>	<b>490</b>	<b>172</b>	<b>7,557</b>	<b>32,444</b>	<b>0.0%</b>	<b>1.0%</b>	<b>12.0%</b>	<b>74.0%</b>	<b>13.0%</b>
<b>Other structures</b>	Other structures	133	466	40	–	829	1,674	14.0%	22.0%	35.0%	21.0%	8.0%
	<b>Sub-total</b>	<b>133</b>	<b>466</b>	<b>40</b>	<b>–</b>	<b>829</b>	<b>1,674</b>	<b>14.0%</b>	<b>22.0%</b>	<b>35.0%</b>	<b>21.0%</b>	<b>8.0%</b>
<b>Roads</b>	Sealed roads	8,746	24,579	2,690	1,982	107,626	174,867	0.0%	0.0%	0.0%	0.0%	100.0%
	Unsealed roads	2,511	14,348	240	562	8,732	14,769	0.0%	0.0%	0.0%	0.0%	100.0%
	Bridges	3,010	7,177	350	469	38,754	65,303	14.0%	10.0%	53.0%	18.0%	5.0%
	Footpaths	28	144	20	41	1,067	1,319	30.0%	21.0%	37.0%	11.0%	1.0%
	Bulk earthworks	–	–	–	–	167,649	167,649	100.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>14,295</b>	<b>46,248</b>	<b>3,300</b>	<b>3,054</b>	<b>323,846</b>	<b>423,907</b>	<b>41.8%</b>	<b>1.6%</b>	<b>8.3%</b>	<b>2.8%</b>	<b>45.5%</b>
<b>Stormwater drainage</b>	Stormwater drainage	796	4,551	190	1	24,158	35,492	9.0%	67.0%	11.0%	13.0%	0.0%
	<b>Sub-total</b>	<b>796</b>	<b>4,551</b>	<b>190</b>	<b>1</b>	<b>24,158</b>	<b>35,492</b>	<b>9.0%</b>	<b>67.0%</b>	<b>11.0%</b>	<b>13.0%</b>	<b>0.0%</b>
<b>Open space / recreational assets</b>	Swimming pools	265	1,515	100	18	332	2,541	0.0%	40.0%	0.0%	60.0%	0.0%
	Other	629	3,593	660	158	1,846	6,067	0.0%	40.0%	0.0%	60.0%	0.0%
	<b>Sub-total</b>	<b>894</b>	<b>5,108</b>	<b>760</b>	<b>176</b>	<b>2,178</b>	<b>8,608</b>	<b>0.0%</b>	<b>40.0%</b>	<b>0.0%</b>	<b>60.0%</b>	<b>0.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>22,780</b>	<b>84,574</b>	<b>4,780</b>	<b>3,403</b>	<b>358,568</b>	<b>502,125</b>	<b>36.0%</b>	<b>6.9%</b>	<b>8.7%</b>	<b>9.2%</b>	<b>39.2%</b>

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

## Infrastructure asset condition assessment 'key'

1	<b>Excellent/very good</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Satisfactory</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	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 <sup>1</sup>					
Asset renewals <sup>2</sup>	9,456	171.34%	104.67%	92.37%	>=100.00%
Depreciation, amortisation and impairment	5,519				
Infrastructure backlog ratio <sup>1</sup>					
Estimated cost to bring assets to a satisfactory standard	22,780	6.35%	7.95%	7.01%	<2.00%
Net carrying amount of infrastructure assets	358,568				
Asset maintenance ratio					
Actual asset maintenance	3,403	71.19%	74.75%	72.33%	>100.00%
Required asset maintenance	4,780				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	84,574	16.84%	19.07%	10.10%	
Gross replacement cost	502,125				

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

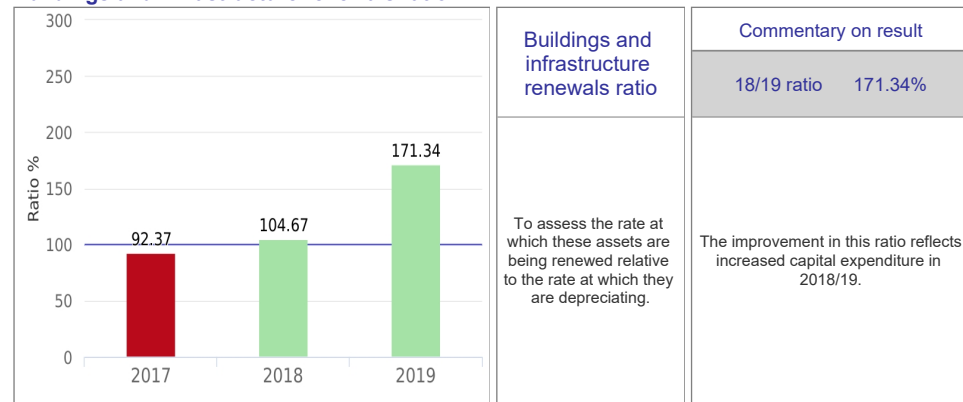
(1) Excludes Work In Progress (WIP)

(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)

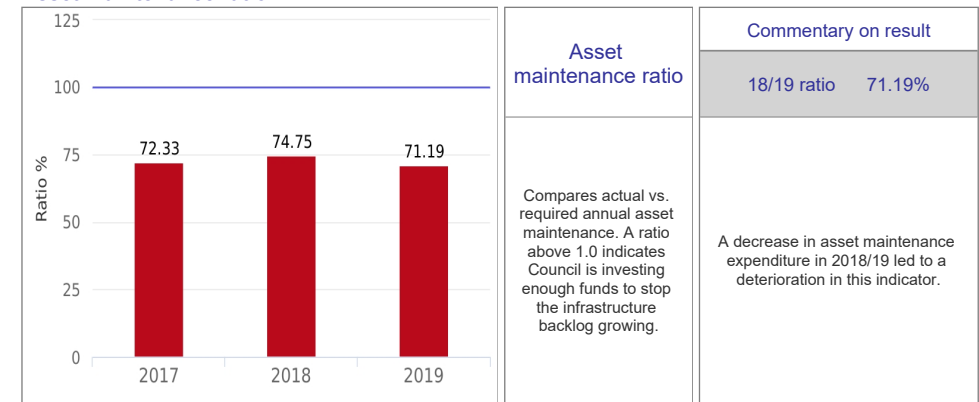
as at 30 June 2019

## Buildings and infrastructure renewals ratio



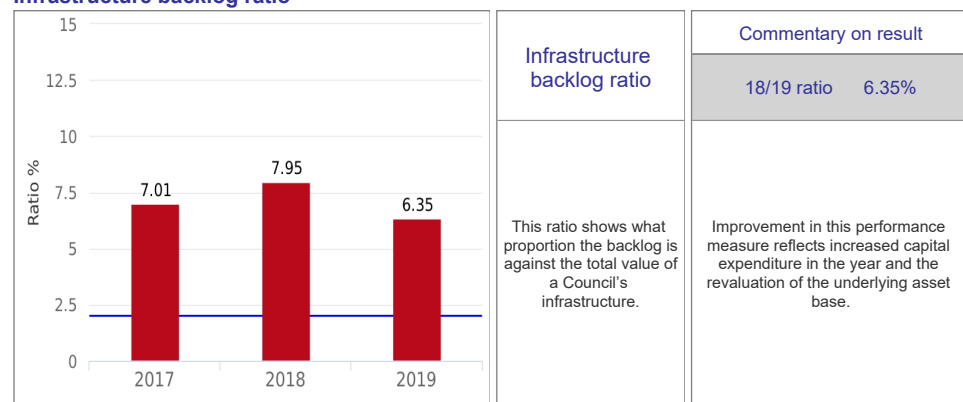
Benchmark: —  $\geq 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

## Asset maintenance ratio



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

## Infrastructure backlog ratio



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

