



INVERELL
SHIRE COUNCIL

2018-2019
General Purpose Financial Statements
Special Purpose Financial Statements &
Special Schedules



Inverell Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

Administration Centre
144 Otho Street
Inverell NSW 2360

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

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.inverell.nsw.gov.au.

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

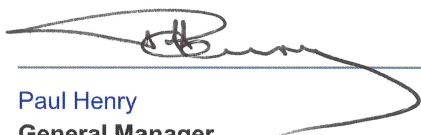
Signed in accordance with a resolution of Council made on 23 October 2019.



Paul Harmon
Mayor
23 October 2019



Anthony Michael
Councillor
23 October 2019



Paul Henry
General Manager
23 October 2019



Scott Norman
Responsible Accounting Officer
23 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 ¹ \$ '000
Income from continuing operations				
<u>Revenue:</u>				
19,697	Rates and annual charges	3a	19,638	18,757
3,652	User charges and fees	3b	6,063	5,448
1,069	Interest and investment revenue	3c	1,631	1,475
435	Other revenues	3d	1,313	834
9,049	Grants and contributions provided for operating purposes	3e,3f	11,739	12,182
1,885	Grants and contributions provided for capital purposes	3e,3f	1,961	2,465
<u>Other income:</u>				
613	Net gains from the disposal of assets	5	342	30
—	Fair value increment on investment properties	11	—	555
36,400	Total income from continuing operations		42,687	41,746
Expenses from continuing operations				
13,698	Employee benefits and on-costs	4a	12,902	12,012
159	Borrowing costs	4b	276	284
6,091	Materials and contracts	4c	8,585	7,891
8,497	Depreciation and amortisation	4d	9,379	8,532
4,243	Other expenses	4e	3,244	3,009
32,688	Total expenses from continuing operations		34,386	31,728
3,712	Operating result from continuing operations		8,301	10,018
3,712	Net operating result for the year		8,301	10,018
3,712	Net operating result attributable to council		8,301	10,018
1,827	Net operating result for the year before grants and contributions provided for capital purposes		6,340	7,553

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 ¹ \$ '000
Net operating result for the year (as per Income Statement)		8,301	10,018
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	1,957	6,224
Total items which will not be reclassified subsequently to the operating result		1,957	6,224
Total other comprehensive income for the year		1,957	6,224
Total comprehensive income for the year		10,258	16,242
Total comprehensive income attributable to Council		10,258	16,242

⁽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

	Notes	2019 \$ '000	2018 ¹ \$ '000
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	3,683	3,604
Investments	6(b)	35,500	53,500
Receivables	7	5,497	5,239
Inventories	8a	511	506
Other	8b	186	182
Current assets classified as 'held for sale'	9i	—	481
Total current assets		45,377	63,512
Non-current assets			
Investments	6(b)	20,069	—
Receivables	7	139	24
Infrastructure, property, plant and equipment	10(a)	649,268	637,405
Investment property	11a	3,280	3,280
Total non-current assets		672,756	640,709
TOTAL ASSETS		718,133	704,221
LIABILITIES			
Current liabilities			
Payables	12	1,572	2,285
Income received in advance	12	809	668
Borrowings	12	600	576
Provisions	13	4,002	3,894
Total current liabilities		6,983	7,423
Non-current liabilities			
Borrowings	12	2,964	3,564
Provisions	13	6,840	2,146
Total non-current liabilities		9,804	5,710
TOTAL LIABILITIES		16,787	13,133
Net assets		701,346	691,088
EQUITY			
Accumulated surplus	14a	528,703	520,402
Revaluation reserves	14a	172,643	170,686
Council equity interest		701,346	691,088
Total equity		701,346	691,088

(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

	Notes	2019			2018 ¹		
		Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance		520,402	170,686	691,088	510,384	164,462	674,846
Opening balance		520,402	170,686	691,088	510,384	164,462	674,846
Net operating result for the year		8,301	–	8,301	10,018	–	10,018
Net operating result for the period		8,301	–	8,301	10,018	–	10,018
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	1,957	1,957	–	6,224	6,224
Other comprehensive income		–	1,957	1,957	–	6,224	6,224
Total comprehensive income		8,301	1,957	10,258	10,018	6,224	16,242
Equity – balance at end of the reporting period		528,703	172,643	701,346	520,402	170,686	691,088

(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 \$ '000	Actual 2018 \$ '000
Cash flows from operating activities				
	<u>Receipts</u>			
19,697	Rates and annual charges		19,575	18,376
3,652	User charges and fees		6,252	6,058
1,069	Investment revenue and interest		1,526	1,477
10,934	Grants and contributions		13,827	13,433
–	Bonds, deposits and retention amounts received		257	37
435	Other		2,781	2,284
	<u>Payments</u>			
(13,698)	Employee benefits and on-costs		(12,805)	(12,480)
(6,091)	Materials and contracts		(10,468)	(9,543)
(159)	Borrowing costs		(144)	(178)
–	Bonds, deposits and retention amounts refunded		(148)	(47)
(4,243)	Other		(4,491)	(2,960)
11,596	Net cash provided (or used in) operating activities	15b	16,162	16,457
Cash flows from investing activities				
	<u>Receipts</u>			
–	Sale of investment securities		33,500	8,000
853	Sale of infrastructure, property, plant and equipment		587	900
–	Deferred debtors receipts		–	6
	<u>Payments</u>			
–	Purchase of investment securities		(35,500)	(7,500)
(12,243)	Purchase of infrastructure, property, plant and equipment		(14,094)	(16,881)
(11,390)	Net cash provided (or used in) investing activities		(15,507)	(15,475)
Cash flows from financing activities				
	<u>Payments</u>			
(576)	Borrowings and advances		(576)	(552)
(576)	Net cash flow provided (used in) financing activities		(576)	(552)
(370)	Net increase/(decrease) in cash and cash equivalents		79	430
–	Cash and cash equivalents – beginning of year	15a	3,604	3,174
(370)	Cash and cash equivalents – end of the year	15a	3,683	3,604
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	55,569	53,500
(370)	Total cash, cash equivalents and investments		59,252	57,104

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 23 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 20 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 14.

(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 investment properties – refer Note 11
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (iii) estimated garbage tip and gravel pit remediation provisions – refer Note 13
- (iv) employee benefit provisions – refer Note 13

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service
- Main Street Program
- Mayor's Drug Advisory Committee
- Youth Indent Committee

(b) The Trust Fund

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

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

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

- Proceeds from sale of land for unpaid rates
- Inverell Investment Fund monies

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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.

As at the date of authorisation of these financial statements Council had no leasing arrangement. Therefore Council does not expect any significant impact on the financial statements. However, some additional disclosures may be required from next year.

Council's activities as a lessor are not material and 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 that depicts 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.

Based on comprehensive analysis of Council's income streams, the impact of AASB15 is not expected to be material. the majority of income streams subject to requirements of AASB 15 in the next year will have the same treatment as under existing AASB 118 Revenue.

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 obligations (a promise to transfer a good or service) related to an asset received by an entity (such as cash or another asset).

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

It is expected that the main effect of AASB 1058 will be on specific purpose capital grants.

Following a comprehensive review of all existing and future Council income streams, Council does not expect a significant impact on financial reporting in future years

Based on this review, Council has unspent grants and contributions totalling \$786,000 disclosed in Note 6 of the financial statements. Under the new accounting standards \$244,000 would be recognised as AASB 15 Revenue from Contracts with Customers. The majority of unspent funds \$542,000 would be recognised under AASB 1058 income of NFP entities. A Total of \$370,000 will recognise as a liability on transition date, 1 July 2019 with the corresponding entry to Retained Earnings (Accumulated Surplus) as Council has not preformed the required works as at 30 June 2019

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

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

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

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

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

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).

Functions or activities	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
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Leadership	20,680	18,440	2,837	2,808	17,843	15,632	6,173	3,661	65,530	65,511
Other	—	—	—	—	—	—	—	—	4,949	—
Community	3,192	1,402	4,910	3,779	(1,718)	(2,377)	2,387	1,068	25,162	25,440
Environment	4,207	4,059	4,430	3,954	(223)	105	136	331	29,715	29,078
Economy	444	1,160	1,158	1,261	(714)	(101)	27	30	11,728	9,541
Services / Infrastructure	14,164	16,685	21,051	19,926	(6,887)	(3,241)	1,120	6,046	581,049	574,651
Total functions and activities	42,687	41,746	34,386	31,728	8,301	10,018	9,843	11,136	718,133	704,221

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Leadership

Includes costs relating to Council's role as a component of democratic government; including elections; member fees and expenses; subscription to local authorities; meeting of Council and policy making committees and area representation and public disclosure and compliance together with related administration cost and other support services; engineering works; public disclosure (eg GIPA) and any Council legislative policy compliance.

Community

Includes Council's fire and emergency services levy, fire protection; emergency services; enforcement of Local Government Regulations; health matters; administration and education; social protection (welfare); migrant, aboriginal and other community services administration; youth services; aged and disabled persons services; children services; childcare and other family and children services; public cemeteries; public conveniences; street lighting; town planning; other community amenities; public libraries; museums; art galleries; public halls; other cultural services and building control.

Environment

Includes costs relating to noxious plants and vermin control; environmental protection matters; solid waste management, street cleaning, drainage and stormwater management.

Economy

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

Services / Infrastructure

Includes water supply; sewerage services; sporting grounds and venues; swimming pools; parks; gardens; lakes; other sporting recreational services; quarries and pits; sealed and unsealed roads and bridges on urban, local, and regional roads; footpaths; parking areas; aerodromes and other transport and communications.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

	2019 \$ '000	2018 \$ '000
(a) Rates and annual charges		
Ordinary rates		
Residential	5,908	5,472
Farmland	3,968	3,683
Business	2,402	2,275
Less: pensioner rebates (mandatory)	(307)	(300)
Rates levied to ratepayers	11,971	11,130
Pensioner rate subsidies received	171	168
Total ordinary rates	12,142	11,298
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	2,143	2,338
Stormwater management services	146	146
Water supply services	2,185	2,062
Sewerage services	2,527	2,419
Waste management services (non-domestic)	636	634
Less: pensioner rebates (mandatory)	(316)	(318)
Annual charges levied	7,321	7,281
Pensioner subsidies received:		
– Water	66	66
– Sewerage	55	55
– Domestic waste management	54	57
Total annual charges	7,496	7,459
TOTAL RATES AND ANNUAL CHARGES	19,638	18,757

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)

	2019 \$ '000	2018 \$ '000
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Domestic waste management services	1	9
Water supply services	2,880	2,530
Waste management services (non-domestic)	775	685
Other	10	11
Total specific user charges	3,666	3,235
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building services – other	104	92
Inspection services	2	3
Planning and building regulation	111	117
Private works – section 67	124	263
Registration fees	25	49
Section 10.7 certificates (EP&A Act)	30	36
Section 603 certificates	29	36
Total fees and charges – statutory/regulatory	425	596
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	2	4
Caravan park	46	54
Quarry revenues	24	33
RMS (formerly RTA) charges (state roads not controlled by Council)	1,852	1,481
Sportsgrounds	31	33
Town hall	17	12
Total fees and charges – other	1,972	1,617
TOTAL USER CHARGES AND FEES	6,063	5,448

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	58	56
– Cash and investments	1,504	1,419
Fair value adjustments		
– Movements in investments at fair value through profit and loss	69	–
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>1,631</u>	<u>1,475</u>

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

Overdue rates and annual charges (general fund)	58	56
General Council cash and investments	1,208	1,110

Restricted investments/funds – external:

Development contributions		
– Section 7.11	15	12
Water fund operations	247	182
Sewerage fund operations	103	115

Total interest and investment revenue	<u>1,631</u>	<u>1,475</u>
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Accounting policy for interest and investment revenue

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

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

	Notes	2019 \$ '000	2018 \$ '000
(d) Other revenues			
Rental income – investment property	11	8	8
Rental income – other council properties		176	213
Fines		13	10
Legal fees recovery – rates and charges (extra charges)		50	45
Commissions and agency fees		2	2
Insurance claims recoveries		49	33
Aged disabled and youth and other community services		11	22
Bushfire / SES sundry income		83	10
Cemetery		116	95
Insurance / workers compensation premium adjustment		72	82
Library		19	19
Parental leave reimbursement		48	3
Sale of dogs / microchipping		3	3
Sale of old materials		70	130
Other		85	35
Sulo bin sales		10	15
Sundry health services		10	14
Tourism		78	95
Adjustment to landfill/Quarry provisions		410	–
<u>TOTAL OTHER REVENUE</u>		<u>1,313</u>	<u>834</u>

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	Operating 2019 \$ '000	Operating 2018 \$ '000	Capital 2019 \$ '000	Capital 2018 \$ '000
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,981	1,838	–	–
Financial assistance – local roads component	1,023	1,001	–	–
Payment in advance - future year allocation				
Financial assistance – general component	2,055	1,879	–	–
Financial assistance – local roads component	1,062	1,029	–	–
Total general purpose	6,121	5,747	–	–
Specific purpose				
Bushfire and emergency services	122	148	6	365
Environmental programs	20	38	–	–
Heritage and cultural	16	16	–	–
Library	31	87	26	30
Library – special projects	2	3	–	–
LIRS subsidy	80	93	–	–
Noxious weeds	116	236	–	–
Public halls	–	24	–	–
Street lighting	60	59	–	–
Transport (other roads and bridges funding)	–	–	(41)	152
Aged, disabled, youth and other community services	28	332	–	–
Economic development – Growing Local Economies	–	25	–	–
Economic development – Small Business Month	–	5	–	–
Employment schemes / apprentice subsidy	6	4	–	–
OLG Grant – Fire & Emergency Services Levy	–	1	–	–
PAMP program	–	–	–	70
Ross Hill Reserve	–	6	–	–
Sport and recreation	3	–	–	330
Transport – RESTART Grant-Fixing Country Roads	107	–	–	277
Transport – Timber Bridges Program	–	–	–	391
Transport (3x3, roads to recovery, flood etc.)	821	2,697	–	–
Public Reserve Management Fund	–	–	27	–
Stronger Country Community Funding	78	–	1,012	–
Safer Community Fund	–	–	93	–
Community Building Partnership Program	–	–	12	–
Transport - CPTI Grant Scheme	–	–	12	–
OLG Grant - Crown Land Management Act	46	–	–	–
War Memorial Fund	4	–	–	–
Drought Communities Program	1,000	–	–	–
Building Better Regions Fund	35	–	–	–
Total specific purpose	2,575	3,774	1,147	1,615
Total grants	8,696	9,521	1,147	1,615
Grant revenue is attributable to:				
– Commonwealth funding	7,813	8,439	93	–
– State funding	877	1,082	1,054	1,615
– Other funding	6	–	–	–
	8,696	9,521	1,147	1,615

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

		Operating 2019 \$ '000	Operating 2018 \$ '000	Capital 2019 \$ '000	Capital 2018 \$ '000
	Notes				
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	27	16
S 64 – water supply contributions		–	–	206	187
S 64 – sewerage service contributions		–	–	65	63
Total developer contributions – cash		–	–	298	266
Total developer contributions	24	–	–	298	266
Other contributions:					
Cash contributions					
Community services		6	21	–	23
Roads and bridges		25	13	16	54
RMS contributions (regional roads, block grant)		2,567	2,510	491	481
Tourism		81	–	–	16
Sport and recreation		91	117	9	10
Natural Disaster		273	–	–	–
Total other contributions – cash		3,043	2,661	516	584
Total other contributions		3,043	2,661	516	584
Total contributions		3,043	2,661	814	850
TOTAL GRANTS AND CONTRIBUTIONS		11,739	12,182	1,961	2,465

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)

	2019 \$ '000	2018 \$ '000
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	890	4,543
Add: operating grants recognised in the current period but not yet spent	386	623
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(496)	(4,276)
Unexpended and held as restricted assets (operating grants)	780	890
Capital grants		
Unexpended at the close of the previous reporting period	21	10
Add: capital grants recognised in the current period but not yet spent	–	21
Add: capital grants received for the provision of goods and services in a future period	–	–
Less: capital grants recognised in a previous reporting period now spent	(15)	(10)
Unexpended and held as restricted assets (capital grants)	6	21
Contributions		
Unexpended at the close of the previous reporting period	709	748
Add: contributions recognised in the current period but not yet spent	2	471
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	(163)	(510)
Unexpended and held as restricted assets (contributions)	548	709

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

	2019 \$ '000	2018 \$ '000
(a) Employee benefits and on-costs		
Salaries and wages	11,054	11,118
Travel expenses	204	208
Employee leave entitlements (ELE)	2,091	1,563
Superannuation	1,315	1,313
Workers' compensation insurance	420	267
Fringe benefit tax (FBT)	127	138
Payroll tax	88	80
Training costs (other than salaries and wages)	172	167
Protective clothing	30	30
Employment costs	18	40
Total employee costs	15,519	14,924
Less: capitalised costs	(2,617)	(2,912)
TOTAL EMPLOYEE COSTS EXPENSED	12,902	12,012
Number of 'full-time equivalent' employees (FTE) at year end	198	195

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 18 for more information.

	Notes	2019 \$ '000	2018 \$ '000
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		144	178
Total interest bearing liability costs expensed		144	178
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	13	132	106
Total other borrowing costs		132	106
TOTAL BORROWING COSTS EXPENSED		276	284

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

Accounting policy for borrowing costs

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

	2019 \$ '000	2018 \$ '000
(c) Materials and contracts		
Raw materials and consumables	7,235	6,845
Contractor and consultancy costs	1,234	942
Auditors remuneration ¹	45	52
Audit & Risk Costs	14	—
Legal expenses:		
– Legal expenses: debt recovery	28	43
– Legal expenses: other	29	9
Total materials and contracts	8,585	7,891
TOTAL MATERIALS AND CONTRACTS	8,585	7,891

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. 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	45	52
Remuneration for audit and other assurance services	45	52
Total Auditor-General remuneration	45	52
Total Auditor remuneration	45	52

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

	Notes	2019 \$ '000	2018 \$ '000
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		1,499	1,522
Office equipment		233	232
Furniture and fittings		27	31
Infrastructure:			
– Buildings – non-specialised		293	195
– Buildings – specialised		155	129
– Other structures		301	209
– Roads		2,432	2,331
– Bridges		1,203	1,190
– Footpaths		75	74
– Stormwater drainage		311	307
– Water supply network		1,546	1,478
– Sewerage network		941	918
– Swimming pools		66	82
– Other open space/recreational assets		358	260
Other assets:			
– Library books		124	84
– Other		6	7
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	10(a),13	166	20
– Quarry assets	10(a),13	111	8
Total gross depreciation and amortisation costs		9,847	9,077
Less: capitalised costs		(468)	(545)
Total depreciation and amortisation costs		9,379	8,532
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		<u>9,379</u>	<u>8,532</u>

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 10 for IPPE assets.

Impairment of non-financial assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

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

	2019 \$ '000	2018 \$ '000
(e) Other expenses		
Advertising	61	66
Bad and doubtful debts	28	(28)
Bank charges	49	53
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	324	340
– Other contributions/levies	70	55
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	115	106
Councillors' expenses (incl. mayor) – other (excluding fees above)	24	27
Donations, contributions and assistance to other organisations (Section 356)	129	129
Electricity and heating	1,185	999
Insurance	647	623
Postage	60	66
Printing and stationery	68	74
Street lighting	195	173
Subscriptions and publications	25	8
Telephone and communications	125	155
Valuation fees	64	89
Other	49	49
Total other expenses	3,244	3,009
TOTAL OTHER EXPENSES	3,244	3,009

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	Notes	2019 \$ '000	2018 \$ '000
Property (excl. investment property)			
Proceeds from disposal – property		1	23
Less: carrying amount of property assets sold/written off		(5)	(1)
Net gain/(loss) on disposal		(4)	22
Plant and equipment			
	10(a)		
Proceeds from disposal – plant and equipment		586	805
Less: carrying amount of plant and equipment assets sold/written off		(240)	(658)
Net gain/(loss) on disposal		346	147
Infrastructure			
	10(a)		
Proceeds from disposal – infrastructure		–	72
Less: carrying amount of infrastructure assets sold/written off		–	(211)
Net gain/(loss) on disposal		–	(139)
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		33,500	8,000
Less: carrying amount of investments sold/redeemed/matured		(33,500)	(8,000)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		342	30

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

	2019 \$ '000	2018 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	3,683	2,604
Cash-equivalent assets		
– Deposits at call	–	1,000
Total cash and cash equivalents	3,683	3,604

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

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	–	5,069	–	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	35,500	15,000	53,500	–
Total Investments	35,500	20,069	53,500	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	39,183	20,069	57,104	–
Financial assets at fair value through the profit and loss				
NCD's, FRN's (with maturities > 3 months)	–	5,069	–	–
Total	–	5,069	–	–
Financial assets at amortised cost / held to maturity (2018)				
Term deposits	35,500	15,000	53,500	–
Total	35,500	15,000	53,500	–

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Fair value through other comprehensive income – equity instruments

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

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

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

Financial assets through profit or loss

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

(Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

(d) Available for sale financial assets

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

Recognition and de-recognition

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

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

Impairment of financial assets

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

Impairment of available for sale investments

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Total cash, cash equivalents and investments	39,183	20,069	57,104	–
attributable to:				
External restrictions	14,762	4,013	17,733	–
Internal restrictions	15,243	16,056	28,387	–
Unrestricted	9,178	–	10,984	–
	39,183	20,069	57,104	–

	2019 \$ '000	2018 \$ '000
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – sewer	153	155
Bonds and deposits	210	101

External restrictions – included in liabilities

	363	256
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External restrictions – other

Developer contributions – general	546	505
RMS contributions	2	204
Specific purpose unexpended grants	786	911
Water supplies	10,554	9,217
Sewerage services	6,524	6,640

External restrictions – other

	18,412	17,477
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Total external restrictions

	18,775	17,733
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Internal restrictions

Administration building	1,995	1,995
Aerodrome	306	306
Baths improvement	3,185	2,905
Computer	1,390	1,107
Connections plant and equipment	72	72
Copeton northern foreshores	49	49
Economic development / Growth Assets	5,440	4,210
Emergency management	150	–
Employee training (Statutory Requirements)	181	132
Employees leave entitlement	1,337	1,337
Equipment upgrade / emergency management	211	211
Future capital works / land purchase	450	450
Garbage degradation / rehab.	795	695
Garbage depot	169	169
Gravel pit restoration	219	237
Gravel pit roadworks	156	175
Industrial / tourism promotion	94	94
Industrial development	1,022	1,149
Insurance excess reserve	210	210
Interest equalisation	350	–

Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 \$ '000	2018 \$ '000
Library	202	202
Plant replacement	4,101	3,638
Residential development	7	7
Road resumptions	20	20
SES plant replacement	104	104
Special capital projects	5	5
Sports ground – hockey facility	450	450
Strategic development fund	516	756
Town hall upgrade	100	100
Waste infrastructure	2,935	2,686
Waste – externally sustainability	497	447
Workers compensation insurance	936	936
Financial Assistance Grants	3,645	3,533
Total internal restrictions	31,299	28,387
TOTAL RESTRICTIONS	50,074	46,120

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Purpose				
Rates and annual charges	1,076	–	1,022	–
Interest and extra charges	98	–	114	–
User charges and fees	460	139	429	24
Accrued revenues				
– Interest on investments	688	–	636	–
– Other income accruals	771	–	924	–
Government grants and subsidies	1,948	–	1,840	–
Net GST receivable	473	–	303	–
Total	5,514	139	5,268	24
Less: provision of impairment				
Rates and annual charges	(13)	–	(22)	–
User charges and fees	(4)	–	(7)	–
Total provision for impairment – receivables	(17)	–	(29)	–
TOTAL NET RECEIVABLES	5,497	139	5,239	24

Externally restricted receivables

Water supply

– Rates and availability charges	120	–	110	–
– Other	832	–	789	–

Sewerage services

– Rates and availability charges	146	–	132	–
– Other	51	–	63	–

Total external restrictions	1,149	–	1,094	–
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Unrestricted receivables	4,348	139	4,145	24
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TOTAL NET RECEIVABLES	5,497	139	5,239	24
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	2019 \$ '000	2018 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	29	57
– amounts provided for but recovered during the year	(12)	(28)
Balance at the end of the period	17	29

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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, including forward-looking information.

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

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

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

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

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

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

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

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

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
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(a) Inventories

(i) Inventories at cost

Real estate for resale	54	—	54	—
Stores and materials	457	—	452	—
Total inventories at cost	511	—	506	—
TOTAL INVENTORIES	511	—	506	—

(b) Other assets

Prepayments	186	—	182	—
TOTAL OTHER ASSETS	186	—	182	—

Externally restricted assets

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
--	----------------------------	--------------------------------	----------------------------	--------------------------------

Water

Stores and materials	122	—	126	—
Prepayments	3	—	3	—
Total water	125	—	129	—

Sewerage

Stores and materials	9	—	15	—
Total sewerage	9	—	15	—

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
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Total externally restricted assets	134	—	144	—
Total internally restricted assets	—	—	—	—
Total unrestricted assets	563	—	544	—
TOTAL INVENTORIES AND OTHER ASSETS	697	—	688	—

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

(i) Other disclosures

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
(a) Details for real estate development				
Residential	54	—	54	—
Total real estate for resale	54	—	54	—
(Valued at the lower of cost and net realisable value)				
Represented by:				
Other properties – book value	54	—	54	—
Total costs	54	—	54	—
Total real estate for resale	54	—	54	—
Movements:				
Real estate assets at beginning of the year	54	—	54	—
Total real estate for resale	54	—	54	—

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

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

	2019 \$ '000	2018 \$ '000
Real estate for resale	54	54
	54	54

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. Non-current assets classified as held for sale

(i) Non-current assets and disposal group assets

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Non-current assets 'held for sale'				
Vacant land – Brissett Street Inverell	–	–	34	–
Vacant land – Corner Evans and Otho Street Inverell	–	–	202	–
Vacant land – Rosenstein estate Inverell	–	–	245	–
Total non-current assets 'held for sale'	–	–	481	–
Disposal group assets 'held for sale'				
a. Name of disposal group here ...				
b. Name of disposal group here ...				
Total disposal groups 'held for sale'	–	–	–	–
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'	–	–	481	–

(ii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations

	2019 Assets 'held for sale' \$ '000	2018 Assets 'held for sale' \$ '000
Opening balance	481	481
Balance still unsold after 12 months:	481	481
Less: assets no longer classified as 'held for sale'	(481)	–
Closing balance of 'held for sale' non-current assets and operations	–	481

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10(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 \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	6,355	–	6,355	2,138	1,678	–	–	(5,774)	–	–	4,397	–	4,397
Plant and equipment	25,963	(15,469)	10,494	2,197	189	(240)	(1,499)	–	–	–	26,512	(15,371)	11,141
Office equipment	1,771	(825)	946	16	8	(5)	(233)	–	–	–	1,783	(1,051)	732
Furniture and fittings	721	(604)	117	–	13	–	(27)	–	–	–	734	(631)	103
Land:													
– Operational land	12,714	–	12,714	–	278	–	–	–	481	–	13,473	–	13,473
– Community land	8,365	–	8,365	–	110	–	–	–	–	–	8,475	–	8,475
Infrastructure:													
– Buildings – non-specialised	26,749	(3,017)	23,732	16	179	–	(293)	–	–	–	26,945	(3,311)	23,634
– Buildings – specialised	14,180	(3,877)	10,303	84	15	–	(155)	–	–	–	14,279	(4,032)	10,247
– Other structures	13,626	(1,551)	12,075	–	10	–	(301)	46	–	–	13,683	(1,853)	11,830
– Roads	225,631	(47,080)	178,551	5,069	–	–	(2,432)	3,573	–	–	234,272	(49,511)	184,761
– Bridges	125,845	(30,968)	94,877	707	–	–	(1,203)	–	–	–	126,552	(32,171)	94,381
– Footpaths	6,572	(1,495)	5,077	326	–	–	(75)	–	–	–	6,897	(1,569)	5,328
– Bulk earthworks (non-depreciable)	106,546	–	106,546	747	–	–	–	–	–	–	107,293	–	107,293
– Stormwater drainage	31,109	(8,635)	22,474	42	–	–	(311)	–	–	–	31,151	(8,946)	22,205
– Water supply network	116,878	(32,349)	84,529	338	–	–	(1,546)	–	–	1,327	119,086	(34,438)	84,648
– Sewerage network	67,755	(27,446)	40,309	1	–	–	(941)	2,155	–	630	70,996	(28,842)	42,154
– Swimming pools	4,560	(1,357)	3,203	–	–	–	(66)	–	–	–	4,560	(1,423)	3,137
– Other open space/recreational assets	16,433	(2,390)	14,043	8	309	–	(358)	–	–	–	16,750	(2,748)	14,002
Other assets:													
– Heritage collections	87	–	87	–	4	–	–	–	–	–	91	–	91
– Library books	653	(286)	367	86	–	–	(124)	–	–	–	739	(410)	329
– Other	86	(52)	34	–	–	–	(6)	–	–	–	86	(58)	28
Reinstatement, rehabilitation and restoration assets (refer Note 14):													
– Tip assets	1,742	–	1,742	–	–	–	(166)	–	4,728	–	6,304	–	6,304
– Quarry assets	465	–	465	–	–	–	(111)	–	221	–	575	–	575
Total Infrastructure, property, plant and equipment	814,806	(177,401)	637,405	11,775	2,793	(245)	(9,847)	–	5,430	1,957	835,633	(186,365)	649,268

(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 10(a). Infrastructure, property, plant and equipment (continued)

	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	5,969	–	5,969	4,519	–	–	–	(4,133)	–	–	–	6,355	–	6,355
Plant and equipment	23,760	(14,756)	9,004	2,396	1,274	(658)	(1,522)	–	–	–	–	25,963	(15,469)	10,494
Office equipment	1,894	(965)	929	246	4	(1)	(232)	–	–	–	–	1,771	(825)	946
Furniture and fittings	706	(573)	133	15	–	–	(31)	–	–	–	–	721	(604)	117
Land:														
– Operational land	12,646	–	12,646	–	–	–	–	–	–	–	68	12,714	–	12,714
– Community land	9,559	–	9,559	–	–	–	–	–	–	(1,194)	–	8,365	–	8,365
Infrastructure:														
– Buildings – non-specialised	22,327	(2,018)	20,309	57	45	(20)	(195)	34	–	–	3,502	26,749	(3,017)	23,732
– Buildings – specialised	11,248	(1,421)	9,827	160	–	–	(129)	3	–	–	442	14,180	(3,877)	10,303
– Other structures	14,326	(1,460)	12,866	152	59	(87)	(209)	25	–	(731)	–	13,626	(1,551)	12,075
– Roads	217,639	(44,749)	172,890	4,802	–	–	(2,331)	3,190	–	–	–	225,631	(47,080)	178,551
– Bridges	124,536	(29,778)	94,758	1,177	–	–	(1,190)	132	–	–	–	125,845	(30,968)	94,877
– Footpaths	6,506	(1,421)	5,085	66	–	–	(74)	–	–	–	–	6,572	(1,495)	5,077
– Bulk earthworks (non-depreciable)	106,043	–	106,043	503	–	–	–	–	–	–	–	106,546	–	106,546
– Stormwater drainage	30,710	(8,328)	22,382	399	–	–	(307)	–	–	–	–	31,109	(8,635)	22,474
– Water supply network	114,249	(30,215)	84,034	249	–	(9)	(1,478)	–	–	–	1,733	116,878	(32,349)	84,529
– Sewerage network	66,359	(25,970)	40,389	15	–	(6)	(918)	–	–	–	829	67,755	(27,446)	40,309
– Swimming pools	3,947	(946)	3,001	85	–	–	(82)	–	–	–	199	4,560	(1,357)	3,203
– Other open space/recreational assets	13,771	(1,613)	12,158	603	556	(89)	(260)	749	–	–	326	16,433	(2,390)	14,043
Other assets:														
– Heritage collections	85	–	85	2	–	–	–	–	–	–	–	87	–	87
– Library books	1,213	(856)	357	94	–	–	(84)	–	–	–	–	653	(286)	367
– Other	86	(45)	41	–	–	–	(7)	–	–	–	–	86	(52)	34
Reinstatement, rehabilitation and restoration assets (refer Note 14):														
– Tip assets	863	(138)	725	–	–	–	(20)	–	366	–	671	1,742	–	1,742
– Quarry assets	334	(203)	131	–	–	–	(8)	–	(37)	–	379	465	–	465
Total Infrastructure, property, plant and equipment	788,776	(165,455)	623,321	15,540	1,938	(870)	(9,077)	–	329	(1,925)	8,149	814,806	(177,401)	637,405

(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 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	4 to 20	Playground equipment	5 to 15
Office furniture	5 to 25	Benches, seats etc.	10 to 20
Computer equipment	3 to 25		
Vehicles	5 to 6	Buildings	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	50 to 100
Other plant and equipment	5 to 20	Other Structures	10 to 100
Water Assets		Sewer assets	
Dams and reservoirs	100	Sewer Pump Wells	70
Bores	30	Motors & Electrical Equipment	30
Building / Civil Structures	70	Pumps & Mechanical Equipment	30
Reservoirs - Walls	100	Effluent Oxidation & Maturation Ponds	Infinite
Reservoirs - Roof	55	Sewer Sludge Lagoons	100
Motor & Electrical Equipment	35 to 60	Treatment Plant Siteworks	50
Pumps & Mechanical Equipment	35 to 60	Aeration Tanks Structural	50
Water Mains	50 to 100	Aeration Tanks Electrical	45
Water Meters	10 to 15	Aeration Tanks Mechanical	45
		Sewer Pipes - Long Life Component	150
		Sewer Pipes - Short Life Component	100
Transportation assets		Other infrastructure assets	
Sealed roads: surface	10 to 100	Bulk earthworks	Infinite
Sealed roads: structure	120 to 170	Swimming pools	10 to 150
Unsealed roads	50 to 66	Other Open Space/Recreational Assets	5 to 125
Roundabouts	40	Other Infrastructure	25 to 50
Kerb and Gutter	70	Drainage Assets	80 to 100
Bridge: concrete	100 to 125	Culverts / Causeways	100
Bridge: Steel	100		
Bridge: Timber	60 to 100		
Carparks - Sealed	50 to 100		

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10(a). Infrastructure, property, plant and equipment (continued)

Carparks - Unsealed	100
Footpaths	50 to 100
Cycleways	50 to 100

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

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

Until such time as discussion on this matter have concluded and the legislation changed, Council will continue to recognise Rural Fire Service assets including land, buildings, plant and equipment, vehicles in Council financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10(b). Externally restricted infrastructure, property, plant and equipment

	2019			2018		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Water supply						
WIP	117	–	117	34	–	34
Plant and equipment	102	76	26	84	70	14
Office equipment	13	13	–	13	13	–
Land						
– Operational land	514	–	514	514	–	514
– Community land	41	–	41	41	–	41
Buildings	270	1	269	270	–	270
Infrastructure	119,086	34,438	84,648	116,878	32,349	84,529
Total water supply	120,143	34,528	85,615	117,834	32,432	85,402
Sewerage services						
WIP	893	–	893	2,332	–	2,332
Plant and equipment	164	159	5	157	157	–
Land						
– Operational land	532	–	532	532	–	532
Infrastructure	70,996	28,841	42,155	67,755	27,446	40,309
Total sewerage services	72,585	29,000	43,585	70,776	27,603	43,173
Domestic waste management						
Plant and equipment	690	204	486	462	91	371
Land						
– Operational land	908	–	908	908	9	899
Buildings	769	97	672	1,009	116	893
Other structures	1,103	113	990	1,103	90	1,013
Total DWM	3,470	414	3,056	3,482	306	3,176
<u>TOTAL RESTRICTED I,PP&E</u>	196,198	63,942	132,256	192,092	60,341	131,751

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Investment property

	2019 \$ '000	2018 \$ '000
(a) Investment property at fair value		
Investment property on hand	3,280	3,280
Reconciliation of annual movement:		
Opening balance	3,280	2,725
– Net gain/(loss) from fair value adjustments	–	555
CLOSING BALANCE – INVESTMENT PROPERTY	3,280	3,280

(b) Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2018 revaluations were based on independent assessments made by:
APV Valuers and Asset Management

(c) Contractual obligations at reporting date

Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.

(d) Leasing arrangements – Council as lessor

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	7	8
Later than 1 year but less than 5 years	21	22
Later than 5 years	162	167
Total minimum lease payments receivable	190	197

(e) Investment property income and expenditure – summary**Rental income from investment property:**

– Minimum lease payments	8	8
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Direct operating expenses on investment property:

– that generated rental income	(39)	(37)
– that did not generate rental income	(8)	(7)

Net revenue contribution from investment property	(39)	(36)
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plus:

Fair value movement for year	–	555
Total income attributable to investment property	(39)	519

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Investment property (continued)

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

The basis of valuation of investment property is fair value, being the amount for which the properties could be exchanged between willing parties in arms length transactions, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The valuation were based on independent assessment made by:
APV Valuers and Asset Management in their valuation undertaken in 2017/2018 Financial year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Payables				
Goods and services – operating expenditure	957	–	1,741	–
Accrued expenses:				
– Salaries and wages	233	–	225	–
– Other expenditure accruals	172	–	218	–
Security bonds, deposits and retentions	210	–	101	–
Total payables	1,572	–	2,285	–
Income received in advance				
Payments received in advance	809	–	668	–
Total income received in advance	809	–	668	–
Borrowings				
Loans – secured ¹	600	2,964	576	3,564
Total borrowings	600	2,964	576	3,564
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>2,981</u>	<u>2,964</u>	<u>3,529</u>	<u>3,564</u>

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

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

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	230	661	227	878
Sewer	196	1,033	191	1,225
Domestic waste management	191	1,270	185	1,461
Other	210	–	101	–
Payables and borrowings relating to externally restricted assets	827	2,964	704	3,564
Total payables and borrowings relating to restricted assets	827	2,964	704	3,564
Total payables and borrowings relating to unrestricted assets	2,154	–	2,825	–
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>2,981</u>	<u>2,964</u>	<u>3,529</u>	<u>3,564</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

	as at 30/6/2018					as at 30/6/2019
	Opening Balance \$ '000	Cash flows \$ '000	Non-cash acquisitions \$ '000	Non-cash fair value changes \$ '000	Other non-cash movements \$ '000	Closing balance \$ '000
Loans – secured	4,140	(576)	–	–	–	3,564
TOTAL	4,140	(576)	–	–	–	3,564

	as at 30/6/2017					as at 30/6/2018
	Opening Balance \$ '000	Cash flows \$ '000	Non-cash acquisitions \$ '000	Non-cash fair value changes \$ '000	Other non-cash movements \$ '000	Closing balance \$ '000
Loans – secured	4,692	(552)	–	–	–	4,140
TOTAL	4,692	(552)	–	–	–	4,140

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

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

Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	76	75
Total financing arrangements	276	275

Undrawn facilities as at balance date:

– Bank overdraft facilities	200	200
– Credit cards/purchase cards	76	75
Total undrawn financing arrangements	276	275

(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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Provisions				
Employee benefits				
Annual leave	1,567	–	1,502	–
Sick leave	–	87	–	72
Long service leave	2,311	–	2,260	–
Sub-total – aggregate employee benefits	3,878	87	3,762	72
Asset remediation/restoration:				
Asset remediation/restoration (future works)	124	6,753	132	2,074
Sub-total – asset remediation/restoration	124	6,753	132	2,074
<u>TOTAL PROVISIONS</u>	<u>4,002</u>	<u>6,840</u>	<u>3,894</u>	<u>2,146</u>

(a) Provisions relating to restricted assets

Externally restricted assets				
Water	330	–	295	–
Sewer	109	–	114	–
Domestic waste management	217	–	178	–
Provisions relating to externally restricted assets	656	–	587	–
Total provisions relating to restricted assets	656	–	587	–
Total provisions relating to unrestricted assets	3,346	6,840	3,307	2,146
<u>TOTAL PROVISIONS</u>	<u>4,002</u>	<u>6,840</u>	<u>3,894</u>	<u>2,146</u>

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

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

Provisions – employee benefits	2,728	2,634
	<u>2,728</u>	<u>2,634</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

(c) Description of and movements in provisions

	ELE provisions			Total \$ '000
	Annual leave \$ '000	Sick leave \$ '000	Long service leave \$ '000	
2019				
At beginning of year	1,502	72	2,260	3,834
Additional provisions	988	15	530	1,533
Amounts used (payments)	(923)	–	(479)	(1,402)
Total ELE provisions at end of period	1,567	87	2,311	3,965
2018				
At beginning of year	1,494	135	2,634	4,263
Additional provisions	865	9	295	1,169
Amounts used (payments)	(857)	(63)	(669)	(1,589)
Other	–	(9)	–	(9)
Total ELE provisions at end of period	1,502	72	2,260	3,834

	Other provisions	
	Asset remediation \$ '000	Total \$ '000
2019		
At beginning of year	2,206	2,206
Changes to provision:		
– Revised costs	4,539	4,539
Unwinding of discount	132	132
Total other provisions at end of period	6,877	6,877
2018		
At beginning of year	1,772	1,772
– Revised costs	328	328
Unwinding of discount	106	106
Total other provisions at end of period	2,206	2,206

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. The asset remediation provision represents the present value estimate of future costs Inverell Shire Council will incur to restore, rehabilitate and reinstate the tip and quarry as a result of past operations

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

Restoration

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

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

Rehabilitation

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Statement of cash flows - additional information

	Notes	2019 \$ '000	2018 \$ '000
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	3,683	3,604
Balance as per the Statement of Cash Flows		3,683	3,604
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		8,301	10,018
Adjust for non-cash items:			
Depreciation and amortisation		9,379	8,532
Net losses/(gains) on disposal of assets		(342)	(30)
Non-cash capital grants and contributions		(6)	(381)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(69)	–
– Investment property		–	(555)
– Revaluation decrements / impairments of IPP&E direct to P&L		(410)	–
Unwinding of discount rates on reinstatement provisions		132	106
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(361)	(1,584)
Increase/(decrease) in provision for impairment of receivables		(12)	(28)
Decrease/(increase) in inventories		(5)	3
Decrease/(increase) in other current assets		(4)	12
Increase/(decrease) in payables		(784)	393
Increase/(decrease) in other accrued expenses payable		(38)	(2)
Increase/(decrease) in other liabilities		250	74
Increase/(decrease) in provision for employee benefits		131	(429)
Increase/(decrease) in other provisions		–	328
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		16,162	16,457
(c) Non-cash investing and financing activities			
Bushfire grants		6	365
Other non-cash items (Inverell Transport Museum)		–	16
Total non-cash investing and financing activities		6	381
(d) Net cash flows attributable to discontinued operations			

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities

Council has no interest in any controlled entities, joint arrangements or associates.

The following Council operations / Committees have not been recognised in this financial report.

Inverell Sports Council - Advisory committee on Inverell Sporting Fields and facilities (Section 355 Advisory Committee)
Inverell Sapphire Floral Festival - Co-ordinate Annual Inverell Festival (Section 355 Specific Event Committee)
Great Inland Fishing Festival - Co-ordinate Annual Fishing Festival (Section 355 Specific Event Committee)
Equestrian Council - Management of Equestrian Centre (Section 355 Management Committee)
Delungra District Development Council - Co-ordinate events in village of Delungra (Section 355 Specific Events Committee)
Bonshaw Hall Management Committee - Management of Hall (Section 355 Management Committee)
Delungra Hall Management Committee - Management of Hall (Section 355 Management Committee)
Graman Hall Management Committee - Management of Hall (Section 355 Management Committee)
Mt Russell Hall Management Committee - Management of Hall (Section 355 Management Committee)
Yetman Hall Management Committee - Management of Hall (Section 355 Management Committee)
Bukkulla Recreation Ground - Management of Sporting Facility (Section 355 Management Committee)
Graman Recreation Reserve - Management of Sporting facility (Section 355 Management Committee)
Oakwood Recreation Area - Management of Sporting Facility (Section 355 Management Committee)
Sporting Area on Part Reserve 1571 - Management of Sporting Facility (Section 355 Management Committee)
Tennis Courts on Section 19 - Management of Sporting Facility (Section 355 Management Committee)
Yetman Tennis Club - Management of Sporting Facility (Section 355 Management Committee)

Reasons for non-recognition of the above.

The above Section 355 committees have minimal bank account balances and do not own or control any other assets. All other assets are held by Council and are included in these financial statements.

The above Section 355 committees have not been recognised because it is considered that these transactions are immaterial either by amount or nature.

New England Joint Organisation (NEJO)

The New England Joint Organisation ("NEJO") was established on 11th May 2018 and is a separately constituted entity pursuant to Part 7 (sections 400O to 400ZH) of the Local Government Act (NSW) 1993, as amended, and the local Government (General) Regulation 2008.

The principal purpose of the NEJO is to establish strategic regional priorities and to provide regional leadership to the geographical area for which it serves, and to identify and take up opportunities for intergovernmental cooperation on matters relating to the joint organisation area.

The NEJO comprises seven voting member Councils: Inverell Shire Council, Armidale Regional Council, Glen Innes Severn Council, Moree Plains Shire Council, Narrabri Shire Council, Tenterfield Shire Council and Uralla Shire Council.

The Board of the NEJO consists of the Mayors of each Member Council, who are entitled to one (1) vote at Meetings, and a non-voting representative of the NSW Government, who is the Regional Director of the Department of Premier and Cabinet.

The Chairperson is to be elected by the voting representatives of the Board from one (1) of the Mayoral representatives. The Chairperson does not have a casting vote. A decision of the Board is supported by a majority at which a quorum is present.

Inverell Shire Council, as a member of the NEJO, has a one-seventh voting right in respect to the decisions of the Board. Decision making is based on majority votes, so Council does not have control, joint control or significant influence over relevant activities of the organisation.

In accordance with the NEJO's Charter, each member is required to contribute annual fees towards the operation of the organisation. In the 2018/2019 financial year, the contribution made by each Council was \$5,000. The contribution for the 2019/2020 financial year has been set at \$5,000 in the Operational Plan of the NEJO.

For the year ended 30th June 2019, the NEJO's net operating result was \$272,563.00. Council is not entitled to any share of the distribution of the NEJO's net operating result.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Commitments

	2019 \$ '000	2018 \$ '000
Capital commitments (exclusive of GST)		
Capital expenditure committed at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	91	–
Plant and equipment	1,937	260
Sewer Pipe Network	323	–
Bridges	–	40
Other Structures	169	–
Investment property		
– Buildings	–	–
Total commitments	2,520	300
These expenditures are payable as follows:		
Within the next year	2,520	300
Total payable	2,520	300
Sources for funding of capital commitments:		
Unrestricted general funds	175	–
Future grants and contributions	–	40
Unexpended grants	85	–
Externally restricted reserves	323	–
Internally restricted reserves	1,937	260
Total sources of funding	2,520	300

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2019.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 247,337.59. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31st December 2018, and covers the period ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Contingencies and other assets/liabilities not recognised (continued)

The amount of additional contributions included in the total employer contribution advised above is \$142,269.97. Council's expected contribution to the plan for the next annual reporting period is \$222,803.60.

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

Employer reserves only *	\$millions	Asset Coverage
Assets	1798.7	
Past Service Liabilities	1784.2	100.8%
Vested Benefits	1792.0	100.4%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$289,000 as at 30 June 2019.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Contingencies and other assets/liabilities not recognised (continued)

2. Other liabilities

(i) Third party claims

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

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

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 19. Financial risk management

Risk management

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

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

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

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

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

	Carrying value 2019 \$ '000	Carrying value 2018 \$ '000	Fair value 2019 \$ '000	Fair value 2018 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	3,683	3,604	3,683	3,604
Receivables	5,636	5,263	5,636	5,263
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	50,500	53,500	55,569	53,500
Fair value through profit and loss				
Investments				
– 'Held for trading'	5,069	–	–	–
Total financial assets	64,888	62,367	64,888	62,367
Financial liabilities				
Payables	1,572	2,285	1,572	2,285
Loans/advances	3,564	4,140	3,564	4,140
Total financial liabilities	5,136	6,425	5,136	6,425

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether their 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.

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
2019				
Possible impact of a 1% movement in interest rates	555	555	(555)	(555)
2018				
Possible impact of a 1% movement in interest rates	535	535	(535)	(535)

(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. Council makes suitable provision for doubtful receivables as required.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
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Credit risk profile

2019

Gross carrying amount	–	532	232	192	120	1,076
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2018

Gross carrying amount	–	424	195	139	264	1,022
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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.

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
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2019

Gross carrying amount	4,308	20	10	3	236	4,577
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Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.69%	0.09%
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ECL provision	–	–	–	–	4	4
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2018

Gross carrying amount	3,889	17	2	4	358	4,270
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ECL provision	–	–	–	–	–	–
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. 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.

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2019							
Trade/other payables	0.00%	210	1,362	–	–	1,572	1,572
Loans and advances	4.19%	–	734	3,025	233	3,992	3,564
Total financial liabilities		210	2,096	3,025	233	5,564	5,136
2018							
Trade/other payables	0.00%	101	2,184	–	–	2,285	2,285
Loans and advances	4.19%	–	734	2,871	1,120	4,725	4,140
Total financial liabilities		101	2,918	2,871	1,120	7,010	6,425

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations

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

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	19,697	19,638	(59)	0% U
Council's stormwater, domestic waste, annual water and sewer charges had small increases during the year (\$20K), Pensioner Rebate Subsidies (\$345K). These increases have been offset by the elimination of Council rates (\$422K).				
User charges and fees	3,652	6,063	2,411	66% F
This favourable variance is mainly associated with extra funding becoming available during the year from RMS for maintenance and construction works on State Highway 12 (\$1432K), additional Waste Management fees (\$181K), additional water sales (\$770K) and other minor increases across a range of functions such as Caravan Park Fees, Construction Certificates, and Companion Animals.				
Interest and investment revenue	1,069	1,631	562	53% F
The actual amount of interest received on an accrual basis was over budget by \$562K. This favourable increase was the result of reducing the original budget to reflect anticipated downward movement in interests. With the assistance of Council's investment advisor Council was able to return a higher average investment return than anticipated.				
Other revenues	435	1,313	878	202% F
This favourable variance is due to higher income in a range of areas including, OOSM-Approvals (\$10K), rental income (\$49K), workers comp reimbursements (\$117K), waste income (\$67K), sundry bushfire income (\$72K), SES reimbursements (\$11K), paid parental leave scheme (\$48K), sundry administration income (\$54k), LTC sundry income (\$8K), Asset Remediation (\$410K) and other minor increases across a range of Council revenue streams				
Operating grants and contributions	9,049	11,739	2,690	30% F
This favourable variance is due to higher incomes in a range of areas including, youth services (\$41K), Community Drought Grants (\$1,000K), other community grants (\$204K), RMS Block Grant (\$106K), Financial Assistance Grants (\$436K), RMS Restart Funding (\$106K), Roads to Recovery (\$657K), ACRD Grant (\$89K), Bushfire fighting contributions (\$272K), Library (\$31K) Copeton Northern Foreshores (\$31K) and other small grants. Unfavourable - Pensioner Rebate Subsidies now report under Rates and Annual Charges (\$345K), RFS Grants (\$76k), Loan Subsidises (\$10K).				
Capital grants and contributions	1,885	1,961	76	4% F
This favourable variance is due to higher incomes in a range of areas including, Section 94 Contributions (\$29K), Section 64 Water & Sewer Contributions (\$43K), Stronger Country Communities Grants (\$1,011K), and Other Community Projects (\$93K). Unfavourable – RFS Grants (\$191K), Roads to Recovery – income recorded as operational grants (\$910K).				
Net gains from disposal of assets	613	342	(271)	(44)% U
Council only budgets for a gain on the sale of Plant & Equipment. The unfavourable variance is due to a number of fleet items not being delivered before 30 June 2019.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Fair value increment on investment property	–	–	–	∞ F

EXPENSES

Employee benefits and on-costs	13,698	12,902	796	6% F
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This favourable variance is a result of saving in employee leave entitlements (\$254K), staff training (\$127K), workers compensation (\$29K) and fringe benefits (\$31K). Staff turnover and vacant positions has also resulted in additional savings when compared to the budget.

Borrowing costs	159	276	(117)	(74)% U
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The variation of \$117K is a result of Council underestimating its borrowing cost in relation to amortisation of discounts and premiums for 2019.

Materials and contracts	6,091	8,585	(2,494)	(41)% U
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This unfavourable variance is primarily a result of additional costs associated with community grants and extra grant funds for maintenance, repair and construction work on Council Assets.

Depreciation and amortisation	8,497	9,379	(882)	(10)% U
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This unfavourable variance is from an increase in depreciation for Land & Buildings, Waste Depot Facilities and Quarries following the 2018 revaluation process.

Other expenses	4,243	3,244	999	24% F
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This favourable variance is due to saving in a wide range of Council services including reduced printing & stationary costs (\$57K), reduced telecommunications costs (\$88K), weight of loads costs (\$17K), reduced Insurance premiums (\$12K), reduced delegate expenses (\$44K), reduced Emergency Services Levies (\$28K), reduced bulk water purchases (\$40K), reduced street lighting (\$17K), elimination of rates (\$431K) and water usage (\$148K) and a range of other smaller savings (<\$10K each) across Council's entire budget.

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	11,596	16,162	4,566	39% F
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This variation relates to the following favourable (F) and unfavourable (U) variations in income and expenditure, rates and annual charges \$122K (U), user charges and fees \$2,600K (F), interest revenue \$526K (F) grants and contributions \$2,893K (F), bonds and deposits, \$109K (F), other revenue \$2,346K (F), employee costs \$815K (F), borrowing costs \$15K (F), materials and contracts \$4,299K (U), and other expenses \$248(U)

Net cash provided from (used in) investing activities	(11,390)	(15,507)	(4,117)	36% U
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This variation relates to the following favourable (F) and unfavourable (U) variations in investing activities, Sale of PP&E \$266K (U), investment purchases \$2,069K (U), and Purchase of PP&E \$1,851K (U),

Net cash provided from (used in) financing activities	(576)	(576)	–	0% F
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

During the reporting period, Council will measure non-capital assets classified as “Held for Sale” at fair value on a non-recurring basis if their carrying amount is higher than their value and therefore the asset needs to be written down to fair value. They are measured at the lower of their carrying amount and fair value less costs to sell. During the current reporting period, there were no assets measured at fair value on a non-recurring basis.

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						
Financial assets						
Investments	6(b)					
– ‘Held for trading’			–	5,069	–	5,069
Total financial assets			–	5,069	–	5,069
Investment property						
	11					
Commerical offices and vacant land		30/06/18	–	–	3,280	3,280
Total investment property			–	–	3,280	3,280
Infrastructure, property, plant and equipment						
	10(a)					
Plant and equipment		30/06/18	–	–	11,141	11,141
Office equipment		30/06/18	–	–	732	732
Furniture and fittings		30/06/18	–	–	103	103
Operational land		30/06/18	–	13,473	–	13,473
Community land		30/06/18	–	8,475	–	8,475
Buildings – non-specialised		30/06/18	–	–	23,634	23,634
Buildings – specialised		30/06/18	–	–	10,247	10,247
Other structures		30/06/18	–	–	11,830	11,830
Roads		30/06/15	–	–	184,761	184,761
Bridges		30/06/15	–	–	94,381	94,381
Footpaths		30/06/15	–	–	5,328	5,328
Bulk earthworks (non-depreciable)		30/06/15	–	–	107,293	107,293
Stormwater drainage		30/06/15	–	–	22,205	22,205
Water supply network		30/06/17	–	–	84,648	84,648
Sewerage network		30/06/17	–	–	42,154	42,154

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Swimming pools		30/06/18	–	–	3,137	3,137
Other open space/recreational assets		30/06/18	–	–	14,002	14,002
Heritage collections		30/06/18	–	–	91	91
Library books		30/06/18	–	–	329	329
Other assets		30/06/18	–	–	28	28
Tip assets		30/06/19	–	–	6,304	6,304
Quarry assets		30/06/19	–	–	575	575
Capital Works in progress		30/06/19	–	–	4,397	4,397
Total infrastructure, property, plant and equipment			–	21,948	627,320	649,268

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 unobservable inputs	
Recurring fair value measurements						
Investment property	11					
Commercial offices and vacant land		30/06/18	–	3,280	–	3,280
Total investment property			–	3,280	–	3,280

Infrastructure, property, plant and equipment	10(a)					
Plant and equipment		30/06/18	–	–	10,494	10,494
Office equipment		30/06/18	–	–	946	946
Furniture and fittings		30/06/18	–	–	117	117
Operational land		30/06/18	–	12,714	–	12,714
Community land		30/06/18	–	8,365	–	8,365
Buildings – non-specialised		30/06/18	–	–	23,732	23,732
Buildings – specialised		30/06/18	–	–	10,303	10,303
Other structures		30/06/18	–	–	12,075	12,075
Roads		30/06/15	–	–	178,551	178,551
Bridges		30/06/15	–	–	94,877	94,877
Footpaths		30/06/15	–	–	5,077	5,077
Bulk earthworks (non-depreciable)		30/06/15	–	–	106,546	106,546
Stormwater drainage		30/06/15	–	–	22,474	22,474
Water supply network		30/06/17	–	–	84,529	84,529
Sewerage network		30/06/17	–	–	40,309	40,309
Swimming pools		30/06/18	–	–	3,203	3,203
Other open space/recreational assets		30/06/18	–	–	14,043	14,043
Heritage collections		30/06/18	–	–	87	87
Library books		30/06/18	–	–	367	367
Other assets		30/06/18	–	–	34	34
Tip assets		30/06/18	–	–	1,742	1,742
Quarry assets		30/06/18	–	–	465	465
Capital Works in progress		30/06/18	–	–	6,355	6,355
Total infrastructure, property, plant and equipment			–	21,079	616,326	637,405

Non-current assets classified as 'held for sale'	9					
Vacant Land		30/06/18	–	481	–	481
Total NCA's classified as 'held for sale'			–	481	–	481

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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

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

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

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

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

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

Investment property

Council's portfolio of investment properties includes two commercial buildings and a collection of vacant land held for commercial development. Both land and buildings were last valued by APV Valuers and Asset Management (APV Valuers) in June 2018.

Land has been valued using Level 2 inputs. Sales prices of comparable land sites in close proximity are adjusted for difference in key attributes such as property size. The most significant inputs into this valuation approach are price per square meter.

Fair value of Commercial Building has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square meter.

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

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

Plant and equipment, office equipment, furniture and fittings and other assets

Plant & Equipment, Office Equipment, Furniture & Fittings, Other Assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets with these classes are as follows:

Plant and equipment	Trucks, rollers, earthmoving equipment, motor vehicles, chainsaws, brush cutters, mowers
Office equipment	Computers, monitors, projectors
Furniture and fittings	Desk, chairs, display systems
Library books	Books, publications, reference materials, CD & DVD
Heritage collection	Paintings, sculptures

The key unobservable inputs to the valuation are the remaining useful life, and residual value. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the asset condition, pattern of consumption, estimated remaining useful lives and the residual value.

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

Operational and community land

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

Council's "Community" land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

Level 2 valuation inputs were used to value land in freehold title (investment and non-investment) as well as land used for special purposes which is restricted in use under current zoning rules. Sale prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Previously Community Land was valued by APV valuers, however as of 2018 Council has elected to use valuations as supplied by NSW Valuer General in accordance with the Code of Accounting Practice.

Buildings (specialised and non-specialised)

Council buildings incorporate, Administrative buildings, libraries, sporting club houses and canteens, public amenities, depot buildings and workshops, rural fire service sheds, community centres, community halls etc.

Buildings were valued by APV Valuers in June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the building into significant parts with different useful lives and taking into account a range of factors such as asset condition, pattern of consumption, estimated remaining useful lives and the residual value. While all buildings were physically inspected, inputs such as estimation of condition and pattern of consumption required extensive professional judgement and are therefore unobservable. As such, these assets were all classified as having been valued using Level 3 valuation inputs.

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

Other structures

This asset class comprises playgrounds, floodlighting systems, irrigation systems, shelters, picnic tables, fences, BBQs, aerodrome runway etc.

Council engaged APV Valuers to value all other structures in 2018. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, asset condition and useful life required extensive professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

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

Roads (including bulk earthworks)

This asset class includes the road pavement and road seal, along with other road assets including kerb and guttering, guardrail and roadside furniture including signs and other traffic management devices. The full revaluation of road assets is undertaken every five years and the last valuation was performed in-house by Council's Financial and Engineering staff as at 30 June 2015 using the cost approach. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for the asset class. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, asset condition, and dimensions.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

Bridges

Bridges were valued in-house by Council's Financial and Engineering staff in June 2015. The approach estimated the replacement cost for each bridge by componentising the bridges into significant parts with different useful lives and taking into account a range of factors. Inputs such as estimates asset condition and pattern of consumption required extensive professional judgement and accordingly impact on the final determination of fair value.

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

Footpaths

Footpaths were valued in-house by Council's Financial and Engineering staff in June 2015 using the cost approach. Footpaths are segmented to match the adjacent road segment and no further componentisation was undertaken. Condition information is updated as changes in the network are observed. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, asset condition, and dimensions.

This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. There has been no change to the valuation process during the reporting period.

Stormwater drainage

Stormwater drainage refers to the system for the collection, storage and removal of stormwater. These assets include pipelines, pits, headwalls and other drainage structures. The full revaluation of Stormwater drainage assets is undertaken every 5 years and the last valuation was completed in June 2015 by Council's Financial and Engineering staff using the cost approach.

The Cost Approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per unit or similar may be supported from market evidence (Level 2) such as the NSW Reference Rates Manual, Valuation of water supply, sewerage and stormwater assets, as published by the NSW Office of Water, other inputs (such as estimates of pattern of consumption, asset condition and useful life) require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

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

Water supply network

Council's Water Supply Network assets include water meters, water mains & pipelines, pump stations, treatment plants, reservoirs and connections. The full revaluation of Water Supply assets is undertaken every 5 years and the last valuation was completed in June 2017 by Council's Financial and Engineering staff using the cost approach.

The Cost Approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per unit or similar may be supported from market evidence (Level 2) such as the NSW Reference Rates Manual, Valuation of water supply, sewerage and stormwater assets, as published by the NSW Office of Water, other inputs (such as estimates of pattern of consumption, residual values, asset condition and useful life) require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Council indexes Water Supply assets each year in line with the NSW Water Supply & Sewerage Construction Cost Indices as published by NSW Office of Water.

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

Sewerage network

Council's Sewerage Network assets include sewer mains, pump stations and treatment plants. The full revaluation of Sewerage Network assets is undertaken every 5 years and the last valuation was completed in June 2017 by Council's Financial and Engineering staff using the cost approach.

The Cost Approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

pipes and prices per unit or similar may be supported from market evidence (Level 2) such as the NSW Reference Rates Manual, Valuation of water supply, sewerage and stormwater assets, as published by the NSW Office of Water, other inputs (such as estimates of pattern of consumption, residual values, asset condition and useful life) require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Council indexes Sewerage Network assets each year in line with the NSW Water Supply & Sewerage Construction Cost Indices as published by NSW Office of Water.

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

Swimming pools

The swimming pool assets include all assets located within the swimming facilities at Inverell and Ashford. These assets were valued by APV Valuers in June 2018. The valuation methodology used by APV for these valuations are the same as that used by APV for Specialised buildings and Other Structures. Inputs such as estimates of the pattern of consumption, asset condition and useful life require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

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

Other open spaces and recreational assets

Council's Open Space & Recreational Assets include all assets within our sporting field and park locations. This includes but not limited to, ovals, playing courts, playgrounds, fences and shelters. These assets were valued by APV Valuers in June 2018. The valuation methodology used by APV for these valuations are the same as that used by APV Valuers for Specialised buildings and Other Structures. Inputs such as estimates of the pattern of consumption, residual values, asset condition and useful life require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

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

Tip and quarry assets

The Inverell Landfill and Materials Recovery Facility is located on Burtenshaw's Road Inverell. This facility encompasses a landfill operation as well as a wide range of waste disposal services, resource recovery services, recycled and reclaimed products.

Council also operates rural landfills at Delungra and Bonshaw, and waste transfer stations at Yetman and Ashford.

Council utilise and maintain approximately forty eight quarries (gravel pits) within the Shire.

It has been recognised that there will be significant costs associated with the closure and post closure management of these landfills and quarries.

Closure of these landfill sites and quarries will involve a wide range of activities and may include preparation of a Site Closure and Management Plan, final capping of the landfill waste and site re-vegetation, installation of a final gas management system, revision of the surface water management system and leachate management infrastructure to suit post closure operations, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure.

An evaluation of costs for site closure and post closure management has been undertaken by Council's Financial and Engineering Staff each year. The key unobservable inputs are the discount rate, estimated costs, actual timing of costs and future environment management requirements. These inputs require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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

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

	Level 3 fair value assets \$ '000
2018	
Opening balance	623,321
Purchases (GBV)	17,478
Disposals (WDV)	(870)
Depreciation and impairment	(9,077)
Adjustments	329
Revaluation Decrements to Equity	(1,925)
Revaluation Increments to Equity	8,149
Closing balance	637,405
2019	
Opening balance	637,405
Purchases (GBV)	14,568
Disposals (WDV)	(245)
Depreciation and impairment	(9,847)
Adjustments	5,430
Revaluation Decrements to Equity	1,957
Closing balance	649,268

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

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

Inverell Shire Council's policy for determining when these transfers between different levels of the hierarchy have occurred is at the end of the reporting period

Transfer from Level 2 to Level 3

Assets	\$'000
Vacant Land Held for sale	481

This Non-Current Assets Held for Sale represents a few parcels of land and they are not expected to sell within twelve months.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

c. The valuation process for level 3 fair value measurements

Level 3 valuations process for some asset classes where the basis was Cost Approach, the inputs used were:

- Pattern of consumption
- Componentisation
- Asset Condition
- Unit Rates
- Useful Life

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Related Party Transactions

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:

	2019 \$ '000	2018 \$ '000
Compensation:		
Short-term benefits	873	940
Post-employment benefits	60	50
Termination benefits	—	448
Total	933	1,438

Note 23. Events occurring after the reporting date

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

Tingha Boundary Adjustment

His Excellency Governor, David Hurley, on recommendation from the Minister for Local Government, Gabrielle Upton MP, approved the boundary change by issuing the proclamation called the Local Government (Armidale and Inverell – Alteration of Boundaries) Proclamation 2019, on 8 February, 2019. The boundary adjustment was effective from 1 July, 2019.

The proclamation has been published on the NSW legislation website at <https://www.legislation.nsw.gov.au/regulations/2019-59.pdf>

The extension to Council's southern boundary to include the community of Tingha and the surrounding area is estimated to include approximately 67,003 Ha of land being transferred to Inverell Shire Council.

In relation to the boundary adjustment the following information has been supplied by Armidale Regional Council (ARC) and other government bodies:

- Approximately 521 ratable properties
 - Regional road length - 39.54 km
 - 4 Bridges on Regional Roads (19 spans, 282.1 metres overall)
 - 6 Large culverts on Regional Roads (22 spans, 67 metres overall)
 - Sealed Urban Road length – 7.9 km
 - Rural Sealed Road Length – 57.5 km
 - Unsealed Local Roads – 67.8km

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Events occurring after the reporting date (continued)

- 1 Bridge on Local Roads (Timber, 4 spans, 36m overall)
- 6 Large culverts on Local Roads (18 spans, 65m overall)
- 1 Depot
- 1 dog pound shed
- Copeton Dam Foreshores Park
- 4 passive parks
- Bushfire and SES sheds
- Town Hall and Museum
- Age Home Units
- Landfill
- Cemetery
- Water Reservoir
- Water Reservoir Radio shed & equipment
- Water Reticulation system
- Tingha sewerage treatment ponds
- Sewer Reticulation system (Pressure system) + pods

The transfer of assets from Armidale Regional Council's includes roads, land and buildings, water and sewer schemes and some other minor miscellaneous assets. These assets will be transferred to Inverell Shire Council on 1 July 2019 for nil consideration. Armidale Regional Council has provided the following summary of the written down value of these assets.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Events occurring after the reporting date (continued)

Asset Category	\$'000
Operational Land	351
Community Land	21
Buildings	1,044
Other Structures	20
Water assets	2,690
Sewer assets	4,731
Other assets	69
Roads	17,880
Bulk earthworks	2,525
Bridges	249
Footpaths	355
Stormwater drainage	3,187
Total Assets	33,122

At 30 June 2019, Armidale Regional Council was owed a balance of \$208,438 which related to unpaid rates and charges for Tingha Locality ratepayers. As per the proclamation Council was required to purchase the outstanding rates and charges from Armidale Regional Council at full face value. This payment was made on 2 July 2019 and will increase Council's outstanding rate balances.

At 30 June 2019, Armidale Regional Council held credit balances of \$40,609.63 on behalf Tingha Locality ratepayers. As per the proclamation Armidale Regional Council was required to transfer this credit balances to Inverell Shire Council. Council received the credit balances from Armidale Regional Council on 5 July 2019. These balances were receipted against the respective ratepayer's 2019/2020 rates

Adjustments to ongoing grant programs related to the Tingha area are predicted to increase revenues by approximately \$788,000. Rates and annual charges will increase revenues by approximately \$749,000

The 2019/2020 Operational Plan includes budget allocations for the above mentioned boundary adjustment. The budget estimates have been collated using the information supplied by Armidale Regional Council (ARC) and other government bodies. A summary is provided below:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Events occurring after the reporting date (continued)

REVENUE	\$000
Rates and Annual Charges	749
Pension Rebates	22
Government Grants	788
Other Income	99
TOTAL REVENUE	1658
EXPENDITURE	
Roads Maintenance	462
Roads Capital Renewal	539
Open Space Maintenance	90
Waste Management Services	108
Water Services	90
Sewer Services	114
Emergency Services	60
Land & Buildings	70
Pension Rebates	39
Other Expenditure	86
TOTAL EXPENDITURE	1658

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. 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						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
	\$ '000	Cash \$ '000	Non-cash \$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Drainage	34	–	–	–	–	–	34	–
Roads	471	26	–	15	–	–	512	–
Community facilities	–	1	–	–	(1)	–	–	–
S7.11 contributions – under a plan	505	27	–	15	(1)	–	546	–
Total S7.11 and S7.12 revenue under plans	505	27	–	15	(1)	–	546	–
S64 contributions	–	271	–	–	(271)	–	–	–
Total contributions	505	298	–	15	(272)	–	546	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN – Shire of Inverell

Drainage	34	–	–	–	–	–	34	–
Roads	471	26	–	15	–	–	512	–
Community facilities	–	1	–	–	(1)	–	–	–
Total	505	27	–	15	(1)	–	546	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Financial result and financial position by fund

	General ¹ 2019 \$ '000	Water 2019 \$ '000	Sewer 2019 \$ '000
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	15,065	2,114	2,459
User charges and fees	3,018	3,037	8
Interest and investment revenue	1,282	247	102
Other revenues	1,261	41	11
Grants and contributions provided for operating purposes	11,539	104	96
Grants and contributions provided for capital purposes	1,690	206	65
Other income			
Net gains from disposal of assets	342	—	—
Total income from continuing operations	34,197	5,749	2,741
Expenses from continuing operations			
Employee benefits and on-costs	11,286	1,049	567
Borrowing costs	169	52	55
Materials and contracts	7,285	907	393
Depreciation and amortisation	6,883	1,553	943
Other expenses	575	1,738	931
Total expenses from continuing operations	26,198	5,299	2,889
Operating result from continuing operations	7,999	450	(148)
Net operating result for the year	7,999	450	(148)
Net operating result attributable to each council fund	7,999	450	(148)
Net operating result for the year before grants and contributions provided for capital purposes	6,309	244	(213)

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Financial result and financial position by fund (continued)

	General ¹ 2019 \$ '000	Water 2019 \$ '000	Sewer 2019 \$ '000
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	965	1,541	1,177
Investments	25,000	5,000	5,500
Receivables	4,348	952	197
Inventories	380	122	9
Other	183	3	—
Total current assets	30,876	7,618	6,883
Non-current assets			
Investments	16,056	4,013	—
Receivables	139	—	—
Infrastructure, property, plant and equipment	520,068	85,615	43,585
Investment property	3,280	—	—
Total non-current assets	539,543	89,628	43,585
TOTAL ASSETS	570,419	97,246	50,468
LIABILITIES			
Current liabilities			
Payables	1,556	13	3
Income received in advance	809	—	—
Borrowings	190	217	193
Provisions	3,563	330	109
Total current liabilities	6,118	560	305
Non-current liabilities			
Borrowings	1,270	661	1,033
Provisions	6,840	—	—
Total non-current liabilities	8,110	661	1,033
TOTAL LIABILITIES	14,228	1,221	1,338
Net assets	556,191	96,025	49,130
EQUITY			
Accumulated surplus	489,011	21,935	17,757
Revaluation reserves	67,180	74,090	31,373
Council equity interest	556,191	96,025	49,130
Total equity	556,191	96,025	49,130

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	5,929	14.71%	18.01%	20.36%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	40,315				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	28,230	66.78%	63.57%	61.28%	>60.00%
Total continuing operating revenue ¹	42,276				
3. Unrestricted current ratio					
Current assets less all external restrictions	29,278	10.56x	12.72x	11.99x	>1.50x
Current liabilities less specific purpose liabilities	2,772				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	15,584	18.29x	18.88x	19.29x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	852				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,161	5.66%	5.69%	5.84%	<10.00%
Rates, annual and extra charges collectible	20,514				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	54,183	22.71 mths	26.60 mths	25.10 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	2,386				

(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 26(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	18.42%	21.46%	4.17%	10.71%	(7.96)%	(7.70)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	60.18%	56.10%	93.46%	94.36%	92.12%	94.01%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	9.49x	11.74x	20.00x	32.42x	28.87x	31.00x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	36.61x	38.25x	7.15x	8.10x	3.25x	3.20x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	5.66%	5.90%	5.56%	4.95%	5.76%	5.11%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	21.80	24.28	19.86	33.61	37.60	37.82	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

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

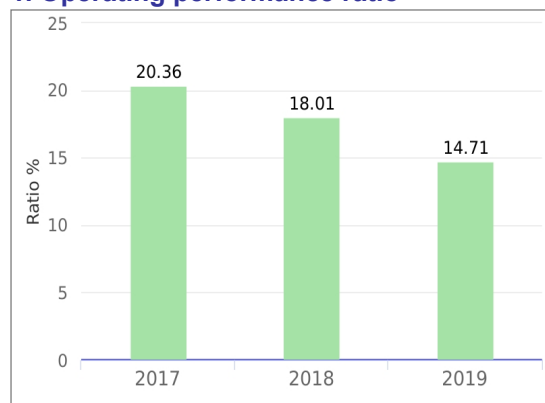
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 14.71%

This ratio indicates that Council's operating revenue, excluding capital grants, are sufficient to cover operating expenditures. The Tcorp benchmark for this ratio is to have a result of better than -4% each year. The "Fit for the Future" benchmark is break even or better over a three year period which Council has achieved for the combined fund.

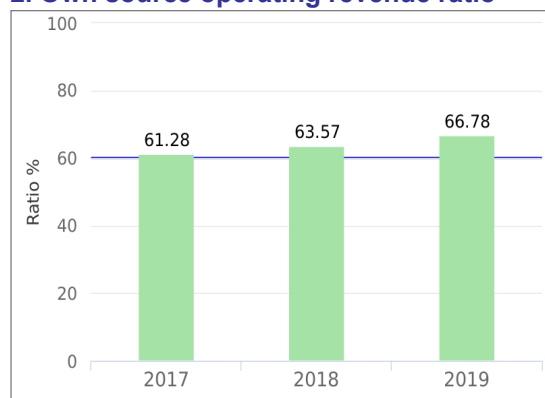
Benchmark: — > 0.00%

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 66.78%

Council's own source revenue ratio has remained above the Tcorp benchmark of greater than 60% over the last four years. The "Fit for the Future" benchmark requires Council's own source operating revenue to be greater than 60% over a three year average, which Council has achieved for the combined fund.

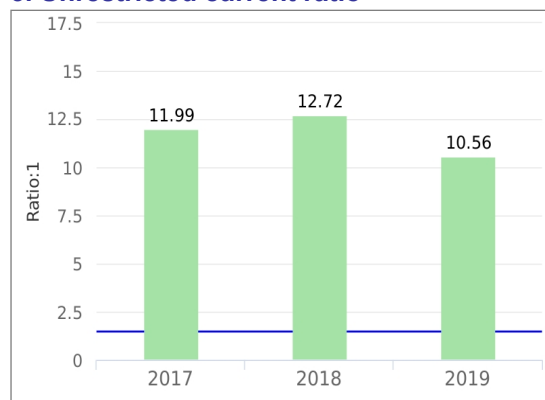
Benchmark: — > 60.00%

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 10.56x

This ratio indicates that Council currently projected to have \$10.56 (excluding externally restricted funds) available to service every \$1.00 of debt as it falls due. 10.56:1 is above the Tcorp benchmark of 1.5:1, and demonstrates Council's ability to satisfy short term obligations.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

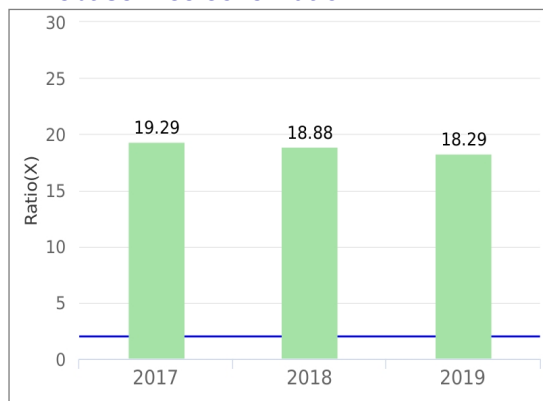
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 18.29x

The debt service cover ratio of 18.29 times indicates that Council has \$18.29 before interest and depreciation to pay each \$1.00 of interest and principal repayments on current borrowings. Council's ability to generate sufficient cash to cover its debt payment is sound and in excess of the Tcorp benchmark 2.0 times.

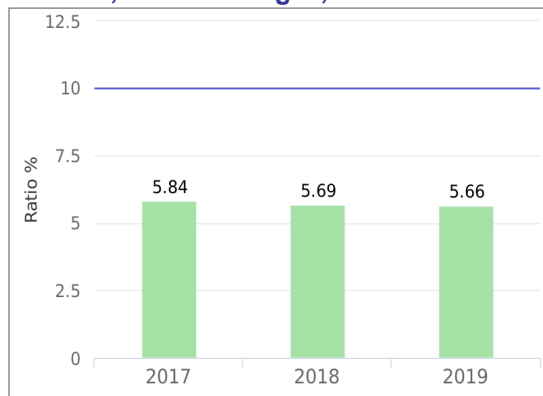
Benchmark: — > 2.00x

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 5.66%

This ratio indicates the percentage of rates and annual charges outstanding at the end of the financial year and is a measure of how well Council is managing debt recovery. Council's ratio of 5.66% is satisfactory and is better than the Tcorp benchmark of less than 10%.

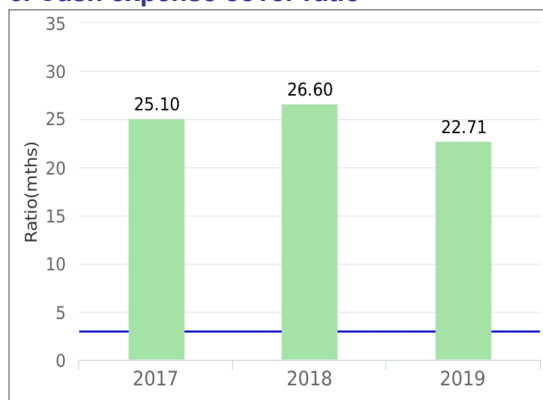
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 22.71 mths

As indicated with a ratio of 22.71 months, Council's ability to continue paying for its immediate expenses without additional cash inflow is sound and exceeds the Tcorp benchmark of 3 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 27. Council information and contact details

Principal place of business:

144 Otho Street
INVERELL NSW 2360

Contact details

Mailing Address:

PO BOX 138
INVERELL NSW 2360

Telephone: 02 67 288 288

Facsimile: 02 67 288 277

Opening hours:

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

Internet: www.inverell.nsw.gov.au

Email: council@inverell.nsw.gov.au

Officers

General Manager

Paul Henry

Responsible Accounting Officer

Scott Norman

Public Officer

Scott Norman

Auditors

Audit Office of NSW
GPO Box 12
SYDNEY NSW 2001

Elected members

Mayor

Paul Harmon

Councillors

Anthony Michael
Di Baker
Paul King
Kate Dight
Mal Peters
Stewart Berryman
Neil McCosker
Jacki Watts

Other information

ABN: 72695204530



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Inverell Shire Council

To the Councillors of Inverell Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 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.



Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 October 2019
SYDNEY



Cr Paul Harmon
Mayor
Inverell Shire Council
PO Box 138
INVERELL NSW 2360

Contact: Chris Harper
Phone no: 02 9275 7374
Our ref: D1925711/1744

30 October 2019

Dear Mayor

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





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

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

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

INCOME STATEMENT

Operating result

	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	19.6	18.8	4.3 
Grants and contributions revenue	13.7	14.6	6.2 
Operating result for the year	8.3	10.0	17.0 
Net operating result before capital grants and contributions	6.3	7.6	17.1 

Council's 2018–19 operating result of \$8.3 million was \$1.7 million lower than in 2017–18. This was mainly due to increases in rates and annual charges (special rate variation increases) and user charges and fees (increased RMS state road revenues) being more than offset by reductions in the revaluation increment related to investment properties, lower grants and contributions income and higher expenses related to employees, materials and contracts and depreciation.

Employee costs, materials and contracts expenses increased due to Council conducting more infrastructure maintenance works than capital renewal projects compared to 2017–18. Depreciation expenditure increased due to the impact of previous infrastructure revaluations and changes in landfill and quarry useful lives and costs.

The net operating result before capital grants and contributions of \$6.3 million was \$1.3 million lower than 2017–18. This is mainly due to the explanations above, excluding the reduction in capital grants.

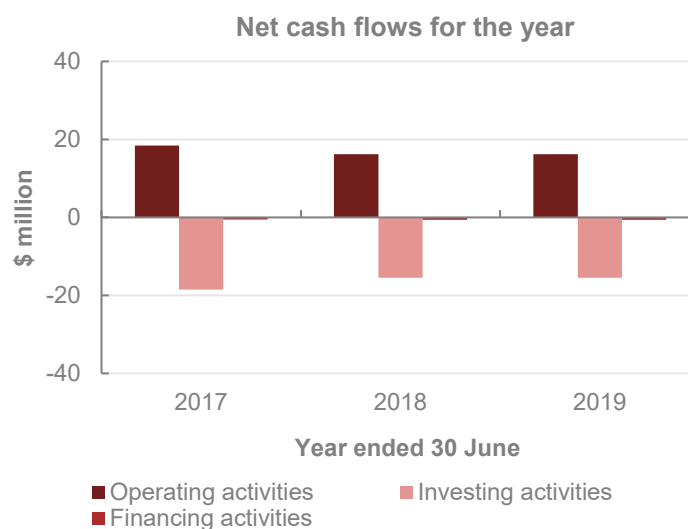
Rates and annual charges revenue of \$19.6 million increased by \$881,000 or 4.3 per cent in 2018–2019. This was due to rate increases arising from the approved special rate variation.

Grants and contributions revenue of \$13.7 million decreased by \$947,000 or 6.2 per cent in 2018–2019 mainly due to:

- reduction in roads to recovery funding of \$1.9 million due to Council completing more of its five-year funding cycle in the previous four years
- reduction in other transport related capital grants for road renewals and timber bridge replacement works of \$561,000
- reduction in sport and recreation capital grants for sporting facility works of \$327,000
- reduction in aged, disabled, youth and community services funding of \$304,000
- increases in stronger community funding of \$1.1 million
- increases in drought incentive program grants of \$1.0 million.

STATEMENT OF CASH FLOWS

Cash flows from operating, investing and financing activities were consistent with prior year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	18.8	17.7	<ul style="list-style-type: none"> Major external cash restrictions include water, sewer and developer contributions for specific purposes. Major internal restrictions related to reserves to fund future capital works, plant replacements, special projects and employee leave entitlements. This increased as Council continued to contribute reserves for specific projects, as well providing a restriction for the Financial Assistance Grant (FAG) instalment received in advance. Internal restrictions increased due to Council transferring surpluses to specific internal project reserves.
Internal restrictions	31.3	28.4	
Unrestricted	9.2	11.0	
Cash and investments	59.3	57.1	

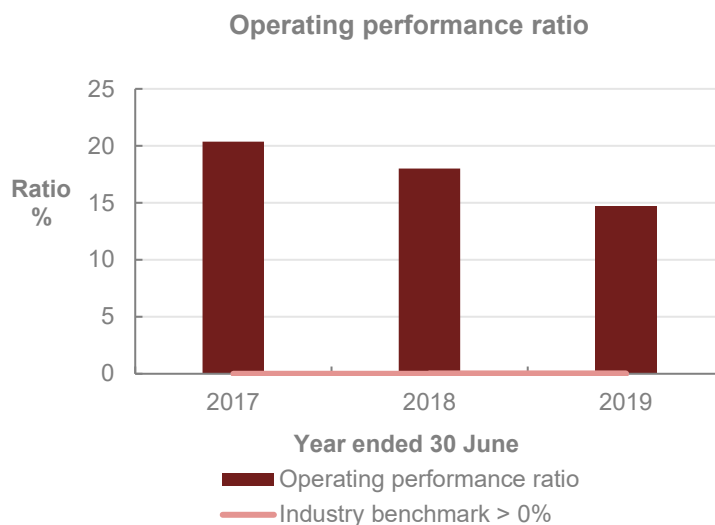
PERFORMANCE

Operating performance ratio

The operating performance ratio has decreased compared to 2017–18 due to lower operating surpluses in the current year.

Council continues to exceed the benchmark set by the former Office of Local Government (the former OLG).

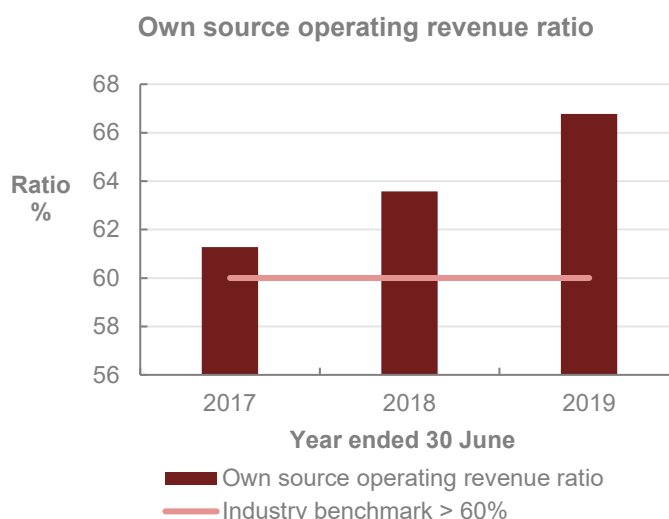
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former OLG is greater than zero per cent.



Own source operating revenue ratio

The own source operating revenue ratio has improved compared to 2017–18 due to a reduction in capital grants in 2018–19, increases in rates and user charges and the landfill provision adjustment recorded in other revenue.

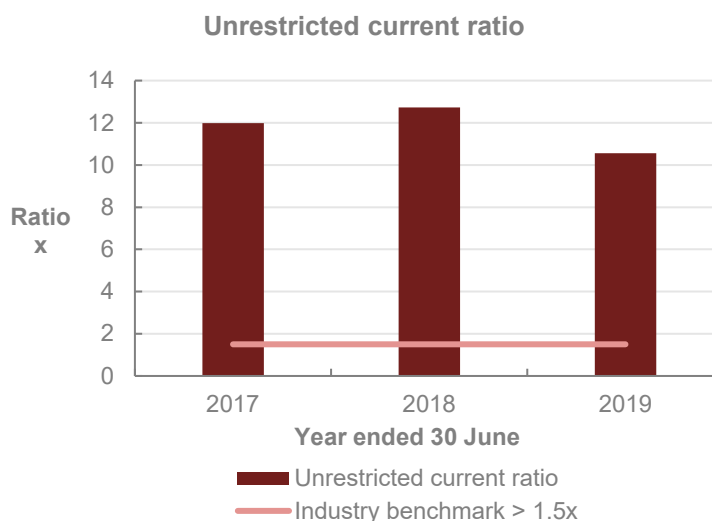
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

Council remains well above the former OLG benchmark. The reduction in the unrestricted current ratio compared to 2017–18 is due to Council utilising cash reserves for capital works and operations in 2018–19.

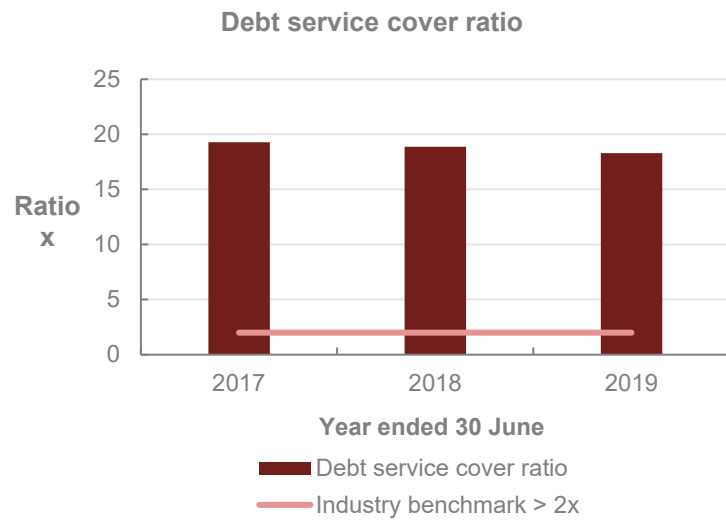
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio remains above the former OLG benchmark.

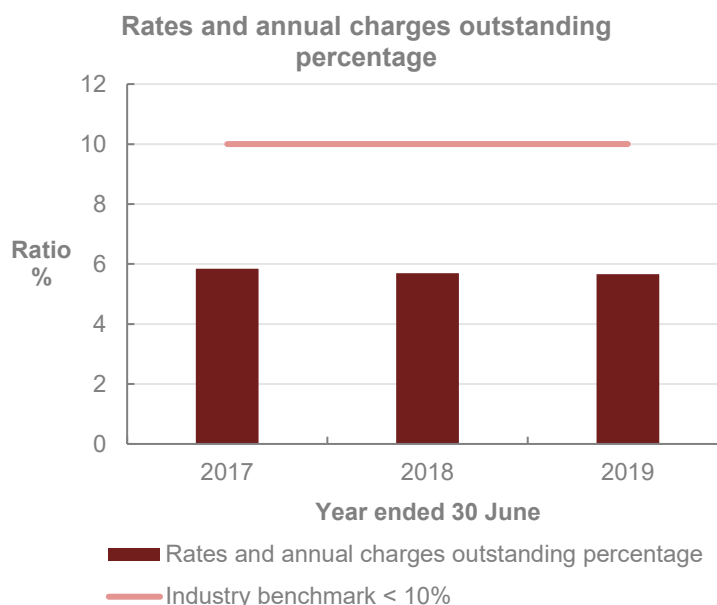
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

Council's rates and annual charges outstanding percentage has remained stable over the past three years and remains well within the former OLG benchmark.

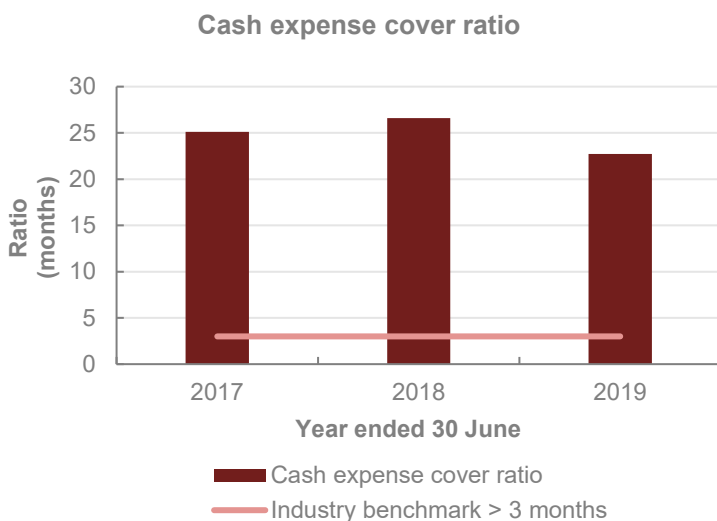
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The cash expense cover ratio has reduced compared to 2017–18 due to Council utilising cash reserves for capital and operating expenditure but remains well above the former OLG benchmark.

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



Infrastructure, property, plant and equipment renewals

Council's Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$11.8 million. This decreased by \$3.8 million compared to 2017–18 due to Council completing its Fit for the Future infrastructure backlog program and a reduction in roads to recovery grants. Renewal expenditure exceeded depreciation in 2018–19 by \$1.9 million. Major renewal works included various roadworks.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosed the impact of adopting AASB 9 in Notes 6 and 7.</p>

Legislative compliance

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

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



Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Mr Paul Henry, General Manager
Mr Phil Schwenke, Chair of the Audit, Risk and Improvement Committee
Mr Scott Norman, Director of Corporate and Economic Services
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

Inverell Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Special Purpose Financial Statements

for the year ended 30 June 2019

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Background

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

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

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

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

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

Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 23 October 2019.



Paul Harmon
Mayor
23 October 2019



Anthony Michael
Councillor
23 October 2019



Paul Henry
General Manager
23 October 2019



Scott Norman
Responsible Accounting Officer
23 October 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

	2019 \$ '000	2018 \$ '000
Income from continuing operations		
Access charges	2,114	2,110
User charges	3,037	2,654
Interest	247	182
Grants and contributions provided for non-capital purposes	104	112
Other income	41	69
Total income from continuing operations	5,543	5,127
Expenses from continuing operations		
Employee benefits and on-costs	1,049	999
Borrowing costs	52	63
Materials and contracts	907	672
Depreciation, amortisation and impairment	1,553	1,482
Water purchase charges	69	54
Loss on sale of assets	–	9
Debt guarantee fee (if applicable)	4	5
Other expenses	1,669	1,308
Total expenses from continuing operations	5,303	4,592
Surplus (deficit) from continuing operations before capital amounts	240	535
Grants and contributions provided for capital purposes	206	188
Surplus (deficit) from continuing operations after capital amounts	446	723
Surplus (deficit) from all operations before tax	446	723
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(66)	(147)
SURPLUS (DEFICIT) AFTER TAX	380	576
Plus accumulated surplus	21,485	20,757
Plus adjustments for amounts unpaid:		
– Debt guarantee fees	4	5
– Corporate taxation equivalent	66	147
Closing accumulated surplus	21,935	21,485
Return on capital %	0.3%	0.7%
Subsidy from Council	838	1,648
Calculation of dividend payable:		
Surplus (deficit) after tax	380	576
Surplus for dividend calculation purposes	380	576
Potential dividend calculated from surplus	190	288

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

	2019 \$ '000	2018 \$ '000
Income from continuing operations		
Access charges	2,459	2,451
User charges	8	9
Interest	102	115
Grants and contributions provided for non-capital purposes	96	102
Other income	11	13
Total income from continuing operations	2,676	2,690
Expenses from continuing operations		
Employee benefits and on-costs	567	549
Borrowing costs	55	63
Materials and contracts	393	501
Depreciation, amortisation and impairment	943	918
Loss on sale of assets	—	6
Debt guarantee fee (if applicable)	6	7
Other expenses	931	866
Total expenses from continuing operations	2,895	2,910
Surplus (deficit) from continuing operations before capital amounts	(219)	(220)
Grants and contributions provided for capital purposes	65	63
Surplus (deficit) from continuing operations after capital amounts	(154)	(157)
Surplus (deficit) from all operations before tax	(154)	(157)
SURPLUS (DEFICIT) AFTER TAX	(154)	(157)
Plus accumulated surplus	17,905	18,055
Plus adjustments for amounts unpaid:		
– Debt guarantee fees	6	7
Less:		
Closing accumulated surplus	17,757	17,905
Return on capital %	(0.4)%	(0.4)%
Subsidy from Council	739	1,292
Calculation of dividend payable:		
Surplus (deficit) after tax	(154)	(157)
Surplus for dividend calculation purposes	—	—
Potential dividend calculated from surplus	—	—

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

	2019 \$ '000	2018 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	1,541	717
Investments	5,000	8,500
Receivables	952	899
Inventories	122	126
Other	3	3
Total current assets	7,618	10,245
Non-current assets		
Investments	4,013	–
Infrastructure, property, plant and equipment	85,615	85,402
Total non-current assets	89,628	85,402
TOTAL ASSETS	97,246	95,647
LIABILITIES		
Current liabilities		
Payables	13	21
Borrowings	217	206
Provisions	330	295
Total current liabilities	560	522
Non-current liabilities		
Borrowings	661	878
Total non-current liabilities	661	878
TOTAL LIABILITIES	1,221	1,400
NET ASSETS	96,025	94,247
EQUITY		
Accumulated surplus	21,935	21,485
Revaluation reserves	74,090	72,762
TOTAL EQUITY	96,025	94,247

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

	2019 \$ '000	2018 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	1,177	795
Investments	5,500	6,000
Receivables	197	195
Inventories	9	15
Total current assets	6,883	7,005
Non-current assets		
Infrastructure, property, plant and equipment	43,585	43,173
Total non-current assets	43,585	43,173
TOTAL ASSETS	50,468	50,178
LIABILITIES		
Current liabilities		
Payables	3	6
Borrowings	193	185
Provisions	109	114
Total current liabilities	305	305
Non-current liabilities		
Borrowings	1,033	1,225
Total non-current liabilities	1,033	1,225
TOTAL LIABILITIES	1,338	1,530
NET ASSETS	49,130	48,648
EQUITY		
Accumulated surplus	17,757	17,905
Revaluation reserves	31,373	30,743
TOTAL EQUITY	49,130	48,648

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

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water Supply – Water Supply Activities

b. Waste Water/Sewerage – Waste Water/Sewerage Activities

Monetary amounts

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

(i) Taxation equivalent charges

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

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

Note 1. Significant Accounting Policies (continued)

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

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

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

Note 1. Significant Accounting Policies (continued)

(ii) Subsidies

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

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

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

For the Year ended 30/6/2019 Council has not met the conditions of the Best Practise Management Guide and accordingly no dividend has been declared.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Inverell Shire Council

To the Councillors of Inverell Shire Council

Opinion

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

The declared business activities of the Council are:

- Water Supply
- Sewerage.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'CHarper', with a long, sweeping horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 October 2019
SYDNEY

Inverell Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates

		Calculation 2019/20 \$ '000	Calculation 2018/19 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	12,614	11,450
Plus or minus adjustments ²	b	12	315
Notional general income	$c = a + b$	12,626	11,765
Permissible income calculation			
Special variation percentage ³	d	7.25%	7.25%
Plus special variation amount	$h = d \times (c + g)$	915	853
Sub-total	$k = (c + g + h + i + j)$	13,541	12,618
Plus (or minus) last year's carry forward total	l	10	6
Less valuation objections claimed in the previous year	m	(2)	(1)
Sub-total	$n = (l + m)$	8	5
Total permissible income	$o = k + n$	13,549	12,623
Less notional general income yield	p	13,548	12,614
Catch-up or (excess) result	$q = o - p$	1	9
Plus income lost due to valuation objections claimed ⁴	r	—	2
Less unused catch-up ⁵	s	—	(1)
Carry forward to next year ⁶	$t = q + r + s$	1	10

Notes

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

Inverell Shire Council

To the Councillors of Inverell Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'CHarper', with a long, sweeping horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Buildings	Buildings – non-specialised	–	–	426	291	23,634	26,945	83.4%	13.6%	3.1%	0.0%	0.0%
	Buildings – specialised	–	–	69	111	10,247	14,279	36.4%	57.8%	5.9%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	495	402	33,881	41,224	67.1%	28.9%	4.0%	0.0%	0.0%
Other structures	Other structures	–	–	939	1,146	11,830	13,682	81.4%	17.9%	0.7%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	939	1,146	11,830	13,682	81.4%	17.9%	0.7%	0.0%	0.0%
Roads	Sealed roads	5,097	5,097	3,040	2,935	141,083	183,978	31.0%	60.8%	6.2%	2.0%	0.0%
	Unsealed roads	–	–	1,663	1,639	43,677	50,295	48.6%	47.0%	4.4%	0.0%	0.0%
	Bridges	–	–	262	255	94,382	126,553	20.2%	70.8%	9.0%	0.0%	0.0%
	Footpaths	–	–	141	121	5,328	6,897	26.8%	72.1%	1.2%	0.0%	0.0%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	107,293	107,293	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	5,097	5,097	5,106	4,950	391,763	475,016	45.5%	48.4%	5.3%	0.8%	0.0%
Water supply network	Water supply network	–	–	1,125	1,191	84,648	119,086	20.5%	66.8%	12.7%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	1,125	1,191	84,648	119,086	20.5%	66.8%	12.7%	0.0%	0.0%
Sewerage network	Sewerage network	–	–	783	858	42,154	70,996	22.9%	33.5%	42.6%	1.1%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	783	858	42,154	70,996	22.9%	33.5%	42.6%	1.1%	(0.1%)
Stormwater drainage	Stormwater drainage	–	–	54	57	22,205	31,151	1.2%	97.2%	1.7%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	54	57	22,205	31,151	1.2%	97.2%	1.7%	0.0%	(0.1%)

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Open space / recreational assets	Swimming pools	—	—	81	100	3,137	4,560	0.0%	45.6%	54.4%	0.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Other Open Space/Recreational Assets	—	—	825	754	14,002	16,750	70.8%	26.9%	2.4%	0.0%	0.0%
	Sub-total	—	—	906	854	17,139	21,310	55.6%	30.9%	13.5%	0.0%	0.0%
TOTAL - ALL ASSETS		5,097	5,097	9,408	9,458	603,620	772,465	39.8%	49.8%	9.8%	0.6%	0.0%

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

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	11,726	152.66%	115.27%	192.22%	>=100.00%
Depreciation, amortisation and impairment	7,681				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	5,097	0.84%	0.86%	1.10%	<2.00%
Net carrying amount of infrastructure assets	603,620				
Asset maintenance ratio					
Actual asset maintenance	9,458	100.53%	94.05%	106.16%	>100.00%
Required asset maintenance	9,408				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	5,097	0.66%	0.67%	0.83%	
Gross replacement cost	772,465				

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

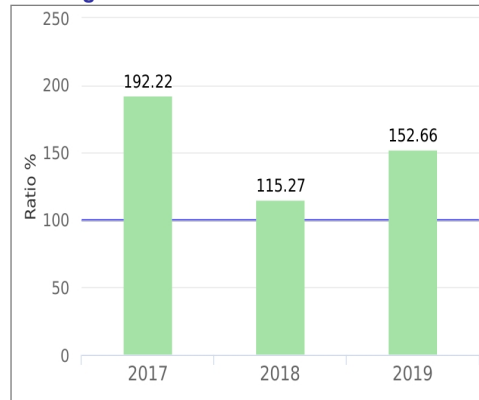
(1) Excludes Work In Progress (WIP)

(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



Infrastructure renewals ratio

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

Commentary on result

18/19 ratio 152.66%

Council has achieved this "fit for the future" benchmark of greater than 100% average over three years. Council "fit for the future" Road map has allocated a Special Road Renewal Funding in 2015-2019 of \$6M to increase asset renewals and to reduce Council's Infrastructure Backlog.

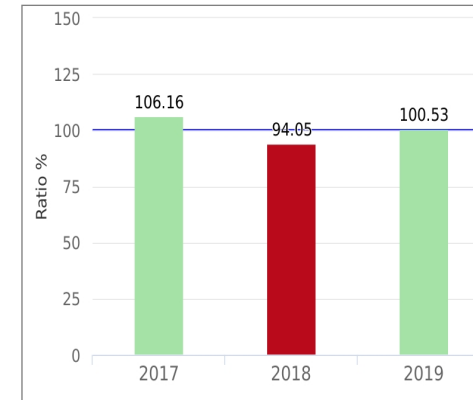
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

18/19 ratio 100.53%

Council's Asset Maintenance Ratio of 100.53 is marginally higher than the "fit for the future" benchmark of greater than 100, which indicates that the level of expenditure on the maintenance of infrastructure is sufficient to prevent the infrastructure backlog from growing.

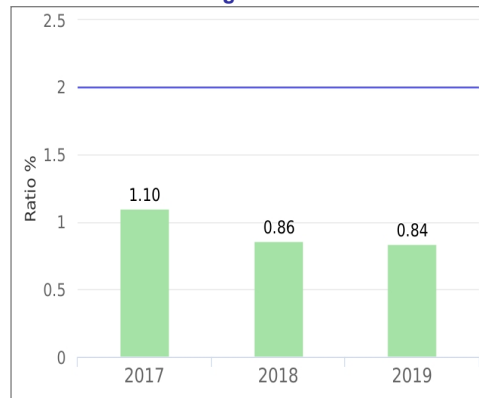
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

18/19 ratio 0.84%

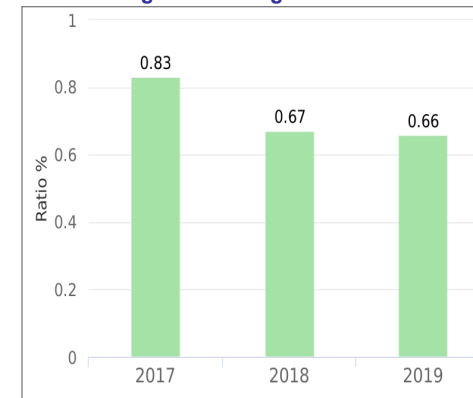
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

18/19 ratio 0.66%

At 0.66% Council meets the benchmark for this newly introduced ratio which is lower than the "Fit for the future" benchmark of less than 2%. This ratio is considered to be more reflective of Council's infrastructure 'backlog', particularly due to the use of gross replacement cost in calculations.

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²	177.78%	167.55%	21.85%	16.85%	229.12%	1.63%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	1.07%	1.08%	—	—	—	—	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	98.79%	90.09%	105.87%	94.92%	109.58%	118.15%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.88%	0.89%	—	—	—	—	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

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