

BATHURST REGIONAL COUNCIL FINANCIAL STATEMENTS 2017/2018



Bathurst Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*'A vibrant regional centre that enjoys a rural lifestyle, the
Bathurst Region achieves health and well being through
strengthening economic opportunities, planning for
sustainable growth, protecting and enhancing our assets, and
encouraging a supportive and inclusive community.
A Region full of community spirit and shared prosperity'*



Bathurst Regional Council

General Purpose Financial Statements

for the year ended 30 June 2018

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Overview

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

158 Russell Street
BATHURST NSW 2795

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.bathurst.nsw.gov.au.

Bathurst Regional Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales 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 2018.

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 annual 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.

More information

A review of Council's financial performance and position for the 17/18 financial year can be found at Note 25 of the financial statements.

Bathurst Regional Council

General Purpose Financial Statements for the year ended 30 June 2018

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 financial statements:

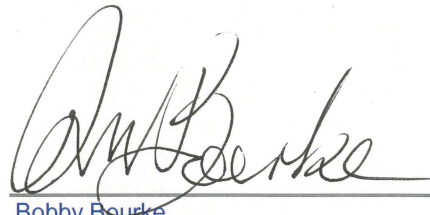
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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 19 September 2018.



Graeme Hanger
Mayor
19 September 2018



Bobby Bourke
Councillor
19 September 2018



David Sherley
General Manager
19 September 2018



Aaron Jones
Responsible Accounting Officer
19 September 2018

Bathurst Regional Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
43,598	Rates and annual charges	3a	41,750	39,819
26,536	User charges and fees	3b	29,144	25,978
3,499	Interest and investment revenue	3c	2,584	2,403
4,452	Other revenues	3d	5,210	4,199
10,937	Grants and contributions provided for operating purposes	3e,f	13,568	15,861
26,247	Grants and contributions provided for capital purposes	3e,f	21,285	27,767
Other income:				
32,605	Net gains from the disposal of assets	5	3,881	12,350
—	Fair value increment on investment property	10	2,679	203
147,874	Total income from continuing operations		120,101	128,580
Expenses from continuing operations				
29,927	Employee benefits and on-costs	4a	30,212	29,613
1,300	Borrowing costs	4b	1,254	1,155
32,153	Materials and contracts	4c	32,034	29,165
23,713	Depreciation and amortisation	4d	24,497	23,830
10,725	Other expenses	4e	10,643	9,306
97,818	Total expenses from continuing operations		98,640	93,069
50,056	Operating result from continuing operations		21,461	35,511
50,056	Net operating result for the year		21,461	35,511
50,056	Net operating result attributable to Council		21,461	35,511
Net operating result for the year before grants and contributions provided for capital purposes				
23,809			176	7,744

Bathurst Regional Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		21,461	35,511
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	54,638	94,854
Total items which will not be reclassified subsequently to the operating result		54,638	94,854
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		54,638	94,854
Total comprehensive income for the year		76,099	130,365
Total comprehensive income attributable to Council		76,099	130,365

Bathurst Regional Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Cash and cash equivalents	6a	12,077	5,407
Investments	6b	55,300	54,000
Receivables	7	10,523	9,836
Inventories	8	4,357	1,867
Other	8	817	617
Total current assets		83,074	71,727
Non-current assets			
Investments	6b	28,580	32,500
Receivables	7	614	655
Inventories	8	9,474	10,554
Infrastructure, property, plant and equipment	9	1,269,937	1,198,553
Investment property	10	14,966	10,996
Total non-current assets		1,323,571	1,253,258
TOTAL ASSETS		1,406,645	1,324,985
LIABILITIES			
Current liabilities			
Payables	11	7,613	6,497
Income received in advance	11	1,233	1,063
Borrowings	11	4,949	4,040
Provisions	12	10,415	10,637
Total current liabilities		24,210	22,237
Non-current liabilities			
Payables	11	1,053	1,068
Borrowings	11	26,547	22,972
Provisions	12	1,588	1,560
Total non-current liabilities		29,188	25,600
TOTAL LIABILITIES		53,398	47,837
Net assets		1,353,247	1,277,148
EQUITY			
Accumulated surplus	13	679,146	657,685
Revaluation reserves	13	674,101	619,463
Total equity		1,353,247	1,277,148

Bathurst Regional Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
Opening balance		657,685	619,463	1,277,148	622,174	524,609	1,146,783
Net operating result for the year prior to correction of errors and changes in accounting policies		21,461	–	21,461	35,511	–	35,511
Net operating result for the year		21,461	–	21,461	35,511	–	35,511
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9a	–	54,638	54,638	–	94,854	94,854
Other comprehensive income		–	54,638	54,638	–	94,854	94,854
Total comprehensive income		21,461	54,638	76,099	35,511	94,854	130,365
Equity – balance at end of the reporting period		679,146	674,101	1,353,247	657,685	619,463	1,277,148

Bathurst Regional Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
43,598	Rates and annual charges		41,457	39,733
26,536	User charges and fees		29,260	26,451
3,499	Investment and interest revenue received		2,428	2,437
37,184	Grants and contributions		28,639	25,016
–	Bonds, deposits and retention amounts received		822	2,350
4,452	Other		9,410	11,142
Payments:				
(29,927)	Employee benefits and on-costs		(30,582)	(30,065)
(32,153)	Materials and contracts		(34,259)	(31,932)
(1,300)	Borrowing costs		(1,233)	(1,144)
–	Bonds, deposits and retention amounts refunded		(898)	(2,914)
(10,725)	Other		(14,264)	(12,950)
41,164	Net cash provided (or used in) operating activities	14b	30,780	28,124
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		87,000	97,600
32,605	Sale of real estate assets		4,096	13,117
–	Sale of infrastructure, property, plant and equipment		1,234	1,455
–	Deferred debtors receipts		48	21
Payments:				
–	Purchase of investment securities		(84,380)	(114,500)
–	Purchase of investment property		(1,291)	(133)
(72,125)	Purchase of infrastructure, property, plant and equipment		(33,507)	(31,151)
–	Purchase of real estate assets		(1,794)	(78)
(39,520)	Net cash provided (or used in) investing activities		(28,594)	(33,669)
Cash flows from financing activities				
Receipts:				
11,625	Proceeds from borrowings and advances		8,525	9,300
Payments:				
(4,017)	Repayment of borrowings and advances		(4,041)	(3,741)
7,608	Net cash flow provided (used in) financing activities		4,484	5,559
9,252	Net increase/(decrease) in cash and cash equivalents		6,670	14
5,393	Plus: cash and cash equivalents – beginning of year	14a	5,407	5,393
14,645	Cash and cash equivalents – end of the year	14a	12,077	5,407
Additional Information:				
plus:	Investments on hand – end of year	6b	83,880	86,500
Total cash, cash equivalents and investments			95,957	91,907

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

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Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 19/09/2018.

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.

Basis of preparation

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 for the purpose of preparing these financial statements.

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

Full dollars have been used in Note 21 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

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

and are clearly marked.

(a) New and amended standards adopted by Council

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(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

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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 10,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (iii) estimated tip remediation provisions – refer Note 12,
- (iv) employee benefit provisions – refer Note 12.

Significant judgements in applying the Council's accounting policies

- (v) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in 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 other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets 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.

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 which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

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

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- *AASB 16 Leases*

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

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

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

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	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)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	–	–	2,438	2,142	(2,438)	(2,142)	59	64	12,077	7,140
Administration	3,972	1,049	13,434	13,002	(9,462)	(11,953)	97	–	48,359	31,303
Public order and safety	612	2,284	1,841	1,713	(1,229)	571	232	232	5,383	5,651
Environment	13,078	16,082	9,840	9,994	3,238	6,088	566	757	147,132	159,754
Community services and education	2,868	2,760	2,793	2,779	75	(19)	1,903	1,762	5,763	9,304
Housing and community amenities	252	162	2,843	2,619	(2,591)	(2,457)	228	33	4,473	5,308
Water supplies	19,955	19,535	12,730	11,370	7,225	8,165	109	98	260,418	245,048
Sewerage services	15,651	14,514	8,935	7,754	6,716	6,760	106	107	179,349	172,292
Recreation and culture	7,672	8,548	17,565	15,857	(9,893)	(7,309)	3,326	493	180,068	182,884
Mining, manufacturing and construction	969	957	1,384	1,244	(415)	(287)	–	–	216	217
Transport and communication	13,760	13,669	19,394	19,806	(5,634)	(6,137)	2,850	3,028	481,607	476,606
Economic affairs	8,662	14,672	5,443	4,789	3,219	9,883	20	50	14,082	29,478
General Purpose Revenues	32,650	34,348	–	–	32,650	34,348	6,724	9,353	–	–
Total functions and activities	120,101	128,580	98,640	93,069	21,461	35,511	16,220	15,977	1,406,645	1,324,985

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Governance

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

Administration

Includes corporate support and other support services, engineering works, and any Council policy

Public order and safety

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

Environment

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

Community services and education

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

Housing and community amenities

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

Water supplies

Includes maintenance and operation of dams, water filtration plant, reservoirs and the reticulation of the water supply

Sewerage services

Includes maintenance and operation of the sewerage network of pipes, pump stations and treatment works.

Recreation and culture

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

Mining, manufacturing and construction

Includes building control, quarries and pits.

Transport and communication

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

Economic affairs

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

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	16,801	16,148
Farmland	2,015	1,886
Mining	10	10
Business	5,207	5,190
Total ordinary rates	24,033	23,234
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	5,333	5,101
Water supply services	2,944	2,642
Sewerage services	8,591	8,018
Waste management services (non-domestic)	806	773
Section 611 charges	43	51
Total annual charges	17,717	16,585
TOTAL RATES AND ANNUAL CHARGES	41,750	39,819

Council has used 2017 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. 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.

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.

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	12,986	11,526
Sewerage services	1,784	1,732
Waste management services (non-domestic)	3,287	3,053
Total specific user charges	18,057	16,311
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	1,301	1,165
Private works – section 67	421	166
Section 603 certificates	100	107
Total fees and charges – statutory/regulatory	1,822	1,438
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Advertising	92	90
Aerodrome	307	322
Art gallery	5	11
Cemeteries	30	6
Chifley home	10	9
Child care	960	974
Entertainment centre	538	496
Library and art gallery	24	41
Mount panorama	2,404	2,512
National motor racing museum	316	297
RMS (formerly RTA) charges (state roads not controlled by Council)	2,799	2,221
Sewerage	793	660
Tourism	93	121
Water	278	224
Other	616	245
Total fees and charges – other	9,265	8,229
TOTAL USER CHARGES AND FEES	29,144	25,978

Accounting policy for user charges and fees

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

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	177	179
– Cash and investments	2,407	2,224
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>2,584</u>	<u>2,403</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	177	78
General Council cash and investments	1,716	1,683
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	184	154
– Section 64	229	201
Water fund operations	97	105
Sewerage fund operations	161	163
Domestic waste management operations	20	19
<u>Total interest and investment revenue recognised</u>	<u>2,584</u>	<u>2,403</u>

Accounting policy for interest and investment revenue

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

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – investment property	10	786	791
Rental income – other council properties		1,009	948
Fines		60	57
Fines – parking		265	228
Legal fees recovery – rates and charges (extra charges)		1	1
Legal fees recovery – Adrenaline Pty Ltd		718	–
Legal fees recovery – other		51	8
Commissions and agency fees		70	54
Diesel rebate		97	108
Insurance claim recoveries		36	8
Insurance rebates		185	236
Mount panorama		936	639
Recovery of Lehman Brothers investment		37	62
Recycling income (non-domestic)		71	78
Sales – miscellaneous		661	668
Other		227	313
<u>TOTAL OTHER REVENUE</u>		<u>5,210</u>	<u>4,199</u>

Accounting policy for other revenue

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

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

Bathurst Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	6,371	8,992	–	–
Other				
Pensioners' rates subsidies – general component	353	361	–	–
Total general purpose	6,724	9,353	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	109	98	–	–
– Sewerage	106	107	–	–
– Domestic waste management	10	10	–	–
Bushfire and emergency services	232	232	–	–
Community care	1,845	1,762	58	–
Community centres	3	1	100	–
Economic development	45	50	–	–
Environmental protection	56	231	–	–
Flood restoration	–	–	500	510
Heritage and cultural	322	333	–	100
LIRS subsidy	59	68	–	–
Mount Panorama	–	20	2,533	–
Recreation and culture	72	40	399	–
Strategic planning	17	32	–	–
Street lighting	108	108	–	–
Transport (roads to recovery)	2,752	2,034	–	–
Transport (other roads and bridges funding)	–	90	36	390
Transport (cycleways)	–	–	–	150
Transport (aerodrome)	–	–	62	188
Waste management	–	6	–	–
Other	72	64	–	–
Total specific purpose	5,808	5,286	3,688	1,338
Total grants	12,532	14,639	3,688	1,338
Grant revenue is attributable to:				
– Commonwealth funding	10,906	12,731	62	578
– State funding	1,511	1,759	3,626	760
– Other funding	115	149	–	–
	12,532	14,639	3,688	1,338

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	1,265	3,319
S 64 – water supply contributions		–	–	2,656	1,696
S 64 – sewerage service contributions		–	–	2,646	1,699
Total developer contributions – cash		–	–	6,567	6,714
Other contributions:					
Cash contributions					
Art gallery		–	–	87	113
Bushfire services		–	–	11	1,699
NSW Treasury – FESL implementation		2	94	–	–
Heritage/cultural		10	8	213	–
Other councils – joint works/services		204	126	–	–
Recreation and culture		–	–	11	70
Roads and bridges		–	–	(19)	10
RMS contributions (regional roads, block grant)		784	951	2,000	–
Sewerage (excl. section 64 contributions)		–	–	1,398	1,988
Water supplies (excl. section 64 contributions)		–	–	836	3,192
Other		36	43	–	91
Total other contributions – cash		1,036	1,222	4,537	7,163
Non-cash contributions					
Dedications – subdivisions (other than by s7.11)		–	–	6,493	12,552
Total other contributions – non-cash		–	–	6,493	12,552
Total other contributions		1,036	1,222	11,030	19,715
Total contributions		1,036	1,222	17,597	26,429
TOTAL GRANTS AND CONTRIBUTIONS		13,568	15,861	21,285	27,767

Accounting policy for 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 above.

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.

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Grants		
Unexpended at the close of the previous reporting period	4,973	2,773
Add: grants recognised in the current period but not yet spent	9,451	3,905
Less: grants recognised in a previous reporting period now spent	(4,252)	(1,705)
Unexpended and held as restricted assets (grants)	10,172	4,973
Contributions		
Unexpended at the close of the previous reporting period	33,671	32,931
Add: contributions recognised in the current period but not yet spent	10,990	7,069
Less: contributions recognised in a previous reporting period now spent	(3,947)	(6,329)
Unexpended and held as restricted assets (contributions)	40,714	33,671

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	21,824	21,720
Travel expenses	649	504
Employee leave entitlements (ELE)	3,702	3,458
Superannuation	2,861	2,828
Workers' compensation insurance	637	511
Fringe benefit tax (FBT)	153	199
Payroll tax	289	281
Training costs (other than salaries and wages)	224	255
Other	80	73
Total employee costs	30,419	29,829
Less: capitalised costs	(207)	(216)
TOTAL EMPLOYEE COSTS EXPENSED	30,212	29,613
Number of 'full-time equivalent' employees (FTE) at year end	378	377

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, when 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 17 for more information.

(b) Borrowing costs	2018	2017
(i) Interest bearing liability costs		
Interest on loans	1,232	1,133
Total interest bearing liability costs expensed	1,232	1,133
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
– Remediation liabilities	22	22
Total other borrowing costs	22	22
TOTAL BORROWING COSTS EXPENSED	1,254	1,155

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.

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	28,311	26,037
Contractor and consultancy costs	1,582	1,083
Auditors remuneration ⁽²⁾	135	126
Legal expenses:		
– Legal expenses: planning and development	31	75
– Legal expenses: debt recovery	114	131
– Legal expenses: other	250	192
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	571	492
Recycling services	1,040	1,029
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>32,034</u>	<u>29,165</u>

Operating leases

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

1. Operating lease payments are attributable to:

Computers & associated peripherals	571	492
	<u>571</u>	<u>492</u>

2. Auditor remuneration

During the year the following fees were paid or payable 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	76	69
Total Auditor-General remuneration	<u>76</u>	<u>69</u>

Non NSW Auditor-General audit:

(i) Non-assurance services

Internal audit	59	57
Total remuneration of non NSW Auditor-General audit	<u>59</u>	<u>57</u>
Total Auditor remuneration	<u>135</u>	<u>126</u>

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		2,368	2,368
Office equipment		274	162
Furniture and fittings		21	15
Land improvements (depreciable)		402	403
Infrastructure:			
– Buildings		1,542	1,709
– Other structures		691	563
– Roads		9,434	9,921
– Bridges		422	–
– Footpaths		181	–
– Stormwater drainage		1,665	1,775
– Water supply network		3,889	3,556
– Sewerage network		3,109	2,877
– Swimming pools		137	137
Other assets:			
– Heritage collections		125	125
– Library books		104	100
– Other		112	99
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9 & 12	21	20
Total depreciation and amortisation costs		24,497	23,830
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED			
		24,497	23,830

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

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

Impairment of non-financial assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	975	806
Bad and doubtful debts	21	44
Bank charges	143	131
Cleaning	560	564
Contributions/levies to other levels of government		
– NSW fire brigade levy	398	374
– NSW rural fire service levy	384	365
– Waste levy	65	71
– EPA payment for Sewerage Treatment	26	–
Councillor expenses – mayoral fee	42	41
Councillor expenses – councillors' fees	164	144
Councillors' expenses (incl. mayor) – other (excluding fees above)	40	40
Donations, contributions and assistance to other organisations (Section 356)		
– Donations, contributions and assistance	164	166
– Footpath and gutter maintenance	140	57
– Somerville collection	220	186
Election expenses	236	1
Electricity and heating	2,474	1,998
Fire control expenses	3	–
Insurance	1,154	1,245
Office expenses (including computer expenses)	50	44
Postage	158	155
Printing and stationery	332	256
Street lighting	1,176	1,066
Subscriptions and publications	800	681
Telephone and communications	525	486
Upper Macquarie County Council (Noxious Weeds)	218	215
Valuation fees	132	131
Other	43	39
<u>TOTAL OTHER EXPENSES</u>	<u>10,643</u>	<u>9,306</u>

Accounting policy for other expenses

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

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	9		
Proceeds from disposal – property		487	815
Less: carrying amount of property assets sold/written off		(597)	(750)
Net gain/(loss) on disposal		(110)	65
Plant and equipment	9		
Proceeds from disposal – plant and equipment		747	640
Less: carrying amount of plant and equipment assets sold/written off		(394)	(305)
Net gain/(loss) on disposal		353	335
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		4,096	13,117
Less: carrying amount of real estate assets sold/written off		(458)	(1,167)
Net gain/(loss) on disposal		3,638	11,950
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		87,000	97,600
Less: carrying amount of financial assets sold/redeemed/matured		(87,000)	(97,600)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		3,881	12,350

Accounting policy for disposal of assets

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 derecognised.

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents		
Cash on hand and at bank	12,077	5,407
Total cash and cash equivalents	12,077	5,407

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes 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.

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
'Held to maturity'	55,300	28,580	54,000	32,500
Total investments	55,300	28,580	54,000	32,500
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>67,377</u>	<u>28,580</u>	<u>59,407</u>	<u>32,500</u>
Held to maturity investments				
Long term deposits	49,500	12,830	49,000	14,700
NCD's, FRN's (with maturities > 3 months)	5,800	15,750	5,000	17,800
Total	55,300	28,580	54,000	32,500

Accounting policy for investments

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.

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.

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.

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	67,377	28,580	59,407	32,500
attributable to:				
External restrictions (refer below)	61,095	28,580	39,027	32,500
Internal restrictions (refer below)	6,240	–	20,296	–
Unrestricted	42	–	84	–
	67,377	28,580	59,407	32,500

\$ '000	2018	2017
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	6,781	4,157
Specific purpose unexpended loans – water	4,793	4,884
External restrictions – included in liabilities	11,574	9,041

External restrictions – other

Developer contributions – general	19,168	14,924
Developer contributions – water fund	5,726	5,675
Developer contributions – sewer fund	15,820	13,072
Specific purpose unexpended grants	10,165	4,966
Specific purpose unexpended grants-water fund	7	7
Water supplies	11,697	9,882
Sewerage services	14,072	12,169
Domestic waste management	1,446	1,791
External restrictions – other	78,101	62,486
Total external restrictions	89,675	71,527

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions		
Employees leave entitlement	138	–
Aerodrome	51	–
Administration	91	260
Building maintenance and improvements	–	183
Carry over works	865	2,870
Cultural and community services	232	463
Depot maintenance	–	25
Environmental	9	219
Land development	–	85
Plant and vehicle replacement	1,351	99
SES plant	22	22
Solid waste depot general reserve	1,503	13,714
Strategic planning	25	22
Tourism	–	7
Waste employee leave entitlements	89	89
Waste management	1,864	2,238
Total internal restrictions	6,240	20,296
TOTAL RESTRICTIONS	95,915	91,823

Bathurst Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	1,628	161	1,345	151
Interest and extra charges	948	–	908	–
User charges and fees	4,561	–	3,762	–
Accrued revenues				
– Interest on investments	450	–	334	–
– Other income accruals	371	–	380	–
Deferred debtors	43	453	40	504
Government grants and subsidies	233	–	1,460	–
Net GST receivable	262	–	502	–
Sundry debtors	2,065	–	1,129	–
Other debtors	5	–	2	–
Total	10,566	614	9,862	655
Less: provision for impairment				
User charges and fees	(23)	–	(11)	–
Other debtors	(20)	–	(15)	–
Total provision for impairment – receivables	(43)	–	(26)	–
TOTAL NET RECEIVABLES	10,523	614	9,836	655
Externally restricted receivables				
Water supply				
– Specific purpose grants	3	–	8	–
– Rates and availability charges	156	54	127	53
– Other	4,172	–	3,395	–
Sewerage services				
– Specific purpose grants	3	–	2	–
– Rates and availability charges	546	33	461	30
– Other	466	–	487	–
Total external restrictions	5,346	87	4,480	83
Unrestricted receivables	5,177	527	5,356	572
TOTAL NET RECEIVABLES	10,523	614	9,836	655

Movement in provision for impairment of receivables

	2018	2017
Balance at the beginning of the year	26	32
+ new provisions recognised during the year	38	8
– amounts already provided for and written off this year	(21)	(14)
Balance at the end of the year	43	26

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

Impairment

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 on-going basis. Debts that are known to be uncollectible 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 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.

Bathurst Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Real estate for resale (refer below)	3,507	9,474	1,091	10,554
Stores and materials	592	–	553	–
Trading stock	258	–	223	–
Total inventories at cost	4,357	9,474	1,867	10,554
<u>TOTAL INVENTORIES</u>	<u>4,357</u>	<u>9,474</u>	<u>1,867</u>	<u>10,554</u>
(b) Other assets				
Prepayments	817	–	617	–
<u>TOTAL OTHER ASSETS</u>	<u>817</u>	<u>–</u>	<u>617</u>	<u>–</u>
Externally restricted assets				
Water				
Prepayments	–	–	4	–
Total water	–	–	4	–
Sewerage				
Prepayments	–	–	20	–
Total sewerage	–	–	20	–
Total externally restricted assets	–	–	24	–
Total unrestricted assets	5,174	9,474	2,460	10,554
TOTAL INVENTORIES AND OTHER ASSETS	<u>5,174</u>	<u>9,474</u>	<u>2,484</u>	<u>10,554</u>

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current

(i) Other disclosures

(a) Details for real estate development

Residential		2,859	4,724	382	7,197
Industrial/commercial		648	4,750	709	3,357
Total real estate for resale		3,507	9,474	1,091	10,554

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

Represented by:

Acquisition costs		2,701	9,474	1,013	10,554
Development costs		806	–	78	–
Total real estate for resale		3,507	9,474	1,091	10,554

Movements:

Real estate assets at beginning of the year		1,091	10,554	2,209	10,555
– Purchases and other costs		806	988	78	–
– Transfers in from (out to) Note 10		–	–	(30)	–
– WDV of sales (expense)	5	(458)	–	(1,167)	–
– Transfer between current/non-current		2,068	(2,068)	1	(1)
Total real estate for resale		3,507	9,474	1,091	10,554

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on 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.

Bathurst Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period					as at 30/6/2018		
				Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation increments to equity (ARR)			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount						Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Plant and equipment	25,673	15,353	10,320	3,279	–	(394)	(2,368)	–	26,676	15,839	10,837
Office equipment	3,098	2,669	429	624	–	–	(274)	–	2,004	1,225	779
Furniture and fittings	1,339	1,217	122	593	–	–	(21)	–	1,758	1,064	694
Land:											
– Operational land	67,520	–	67,520	–	2,006	–	–	31,063	100,589	–	100,589
– Community land	17,740	–	17,740	–	–	(198)	–	–	17,542	–	17,542
– Land under roads (post 30/6/08)	172	–	172	–	518	–	–	–	690	–	690
Land improvements – depreciable	20,618	4,136	16,482	31	2,827	–	(402)	–	23,475	4,537	18,938
Infrastructure:											
– Buildings - leasehold improvements	–	–	–	–	194	–	–	–	194	–	194
– Buildings	138,173	26,299	111,874	677	2,761	(399)	(1,542)	16,130	180,613	51,112	129,501
– Other structures	21,023	6,591	14,432	1,039	667	–	(691)	–	22,383	6,936	15,447
– Roads	434,677	151,728	282,949	3,785	5,210	–	(9,434)	–	443,672	161,162	282,510
– Bridges	38,481	16,005	22,476	4	–	–	(422)	–	38,485	16,427	22,058
– Footpaths	14,508	5,210	9,298	–	870	–	(181)	–	15,378	5,391	9,987
– Bulk earthworks (non-depreciable)	122,853	–	122,853	151	2,087	–	–	–	125,091	–	125,091
– Stormwater drainage	159,220	40,116	119,104	1,439	5,225	–	(1,665)	–	165,884	41,781	124,103
– Water supply network	332,795	113,411	219,384	1,832	3,545	–	(3,889)	4,527	345,161	119,762	225,399
– Sewerage network	214,193	72,152	142,041	382	2,119	–	(3,109)	2,918	221,191	76,840	144,351
– Swimming pools	13,836	1,364	12,472	–	–	–	(137)	–	13,836	1,501	12,335
Other assets:											
– Other	39,804	12,313	27,491	–	369	–	(341)	–	40,178	12,659	27,519
Reinstatement, rehabilitation and restoration assets (refer Note 12):											
– Tip assets	1,434	40	1,394	–	–	–	(21)	–	1,434	61	1,373
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,667,157	468,604	1,198,553	13,836	28,398	(991)	(24,497)	54,638	1,786,234	516,297	1,269,937

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

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed 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 Crown Lands and Water (CLAW).

Increases in the carrying amounts arising on revaluation are credited to the asset 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.

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment (continued)

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

Under section 119 of the *Rural Fire Services Act 1997 (NSW)*, "*all fire fighting 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 fire fighting equipment has been purchased or constructed*".

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

Bathurst Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
Plant and equipment	1,617	1,026	591	1,381	819	562
Office equipment	60	23	37	29	21	8
Furniture and fittings	–	–	–	3	3	–
Land						
– Operational land	4,679	–	4,679	4,753	–	4,753
– Community land	165	–	165	165	–	165
– Improvements – depreciable	1,075	185	890	1,075	168	907
Buildings	11,761	549	11,212	11,662	440	11,222
Other structures	480	126	354	444	109	335
Infrastructure	345,161	119,762	225,399	332,795	113,411	219,384
Total water supply	364,998	121,671	243,327	352,307	114,971	237,336
Sewerage services						
Plant and equipment	941	607	334	899	486	413
Office equipment	–	–	–	11	11	–
Land						
– Operational land	1,597	–	1,597	1,297	–	1,297
– Improvements – depreciable	154	69	85	123	65	58
Buildings	3,093	96	2,997	2,308	44	2,264
Other structures	374	68	306	374	59	315
Infrastructure	221,191	76,840	144,351	214,193	72,152	142,041
Total sewerage services	227,350	77,680	149,670	219,205	72,817	146,388
Domestic waste management						
Plant and equipment	1,595	675	920	1,590	526	1,064
Other assets	1,001	685	316	938	631	307
Total DWM	2,596	1,360	1,236	2,528	1,157	1,371
TOTAL RESTRICTED IPP&E	594,944	200,711	394,233	574,040	188,945	385,095

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 10. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>14,966</u>	<u>10,996</u>
Reconciliation of annual movement:		
Opening balance	10,996	10,660
– Acquisitions	1,291	133
– Net gain/(loss) from fair value adjustments	2,679	203
CLOSING BALANCE – INVESTMENT PROPERTY	<u>14,966</u>	<u>10,996</u>
(b) Valuation basis		
The basis of valuation of investment property 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: Liquid Pacific.		
(c) Contractual obligations at reporting date		
Refer to Note 16 for disclosures relating to any capital and service obligations that have been contracted.		
(d) Leasing arrangements – Council as lessor		
The investment property 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	873	550
Later than 1 year but less than 5 years	2,269	1,086
Later than 5 years	764	930
Total minimum lease payments receivable	<u>3,906</u>	<u>2,566</u>
(e) Investment property income and expenditure – summary		
Rental income from investment property:		
– Minimum lease payments	786	791
Direct operating expenses on investment property:		
– that generated rental income	(425)	(298)
Net revenue contribution from investment property	<u>361</u>	<u>493</u>
plus:		
Fair value movement for year	2,679	203
Total income attributable to investment property	<u>3,040</u>	<u>696</u>

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 part of other income.

Properties that are under construction for future use as investment property 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.

Bathurst Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	5,266	–	4,214	–
Accrued expenses:				
– Borrowings	23	–	24	–
– Other expenditure accruals	670	–	544	–
Security bonds, deposits and retentions	1,654	1,053	1,715	1,068
Total payables	7,613	1,053	6,497	1,068
Income received in advance				
Payments received in advance	1,233	–	1,063	–
Total income received in advance	1,233	–	1,063	–
Borrowings				
Loans – secured ¹	4,949	26,547	4,040	22,972
Total borrowings	4,949	26,547	4,040	22,972
TOTAL PAYABLES AND BORROWINGS	13,795	27,600	11,600	24,040

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	369	4,647	1,335	4,829
Sewer	96	–	592	4
Payables and borrowings relating to externally restricted assets	465	4,647	1,927	4,833
Total payables and borrowings relating to restricted assets	465	4,647	1,927	4,833
Total payables and borrowings relating to unrestricted assets	13,330	22,953	9,673	19,207
TOTAL PAYABLES AND BORROWINGS	13,795	27,600	11,600	24,040

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 18.

Bathurst Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

\$ '000

(b) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	27,012	(4,041)	8,525	–	–	31,496
TOTAL	27,012	(4,041)	8,525	–	–	31,496

\$ '000

2018

2017

(c) Financing arrangements

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

Bank overdraft facilities ⁽¹⁾	650	650
Credit cards/purchase cards	115	115
Total financing arrangements	765	765
Undrawn facilities as at balance date:		
– Bank overdraft facilities	650	650
– Credit cards/purchase cards	115	115
Total undrawn financing arrangements	765	765

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

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 draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Bathurst Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	2,913	–	2,930	–
Long service leave	7,369	114	7,582	103
Sub-total – aggregate employee benefits	10,282	114	10,512	103
Asset remediation/restoration:				
Asset remediation/restoration (future works)	29	1,474	24	1,457
Sub-total – asset remediation/restoration	29	1,474	24	1,457
Other provisions:				
Other	104	–	101	–
Sub-total – other provisions	104	–	101	–
<u>TOTAL PROVISIONS</u>	<u>10,415</u>	<u>1,588</u>	<u>10,637</u>	<u>1,560</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	771	2	–	–
Sewer	317	8	–	–
Provisions relating to externally restricted assets	1,088	10	–	–
Total provisions relating to restricted assets	1,088	10	–	–
Total provisions relating to unrestricted assets	9,327	1,578	10,637	1,560
<u>TOTAL PROVISIONS</u>	<u>10,415</u>	<u>1,588</u>	<u>10,637</u>	<u>1,560</u>

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	8,023	7,898
	8,023	7,898

Bathurst Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	2,930	—	7,685	—	—	10,615
Additional provisions	2,052	—	837	—	—	2,889
Amounts used (payments)	(2,081)	—	(973)	—	—	(3,054)
Remeasurement effects	12	—	(66)	—	—	(54)
Total ELE provisions at end of year	2,913	—	7,483	—	—	10,396

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	2,960	—	7,980	—	—	10,940
Additional provisions	1,925	—	950	—	—	2,875
Amounts used (payments)	(1,940)	—	(940)	—	—	(2,880)
Remeasurement effects	(15)	—	(305)	—	—	(320)
Total ELE provisions at end of year	2,930	—	7,685	—	—	10,615

2018	Other provisions		Total
	Other	Asset remediation	
At beginning of year	101	1,481	1,582
Changes to provision:			
Additional provisions	104	—	104
Amounts used (payments)	(101)	—	(101)
Unwinding of discount	—	22	22
Total other provisions at end of year	104	1,503	1,607

2017	Other provisions		Total
	Other	Asset remediation	
At beginning of year	120	1,459	1,579
Changes to provision:			
Additional provisions	101	—	101
Amounts used (payments)	(120)	—	(120)
Unwinding of discount	—	22	22
Total other provisions at end of year	101	1,481	1,582

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

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.

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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.

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

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

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, eg 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.

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

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

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

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.

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	12,077	5,407
Balance as per the Statement of Cash Flows		12,077	5,407
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		21,461	35,511
Adjust for non-cash items:			
Depreciation and amortisation		24,497	23,830
Net losses/(gains) on disposal of assets		(3,881)	(12,350)
Non-cash capital grants and contributions		(8,727)	(17,732)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– investment property		(2,679)	(203)
Amortisation of premiums, discounts and prior period fair valuations			
Unwinding of discount rates on reinstatement provisions		22	22
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(711)	362
Increase/(decrease) in provision for doubtful debts		17	(6)
Decrease/(increase) in inventories		(74)	(1)
Decrease/(increase) in other assets		(200)	(293)
Increase/(decrease) in payables		1,052	152
Increase/(decrease) in accrued interest payable		(1)	(11)
Increase/(decrease) in other accrued expenses payable		126	(238)
Increase/(decrease) in other liabilities		94	(575)
Increase/(decrease) in employee leave entitlements		(219)	(325)
Increase/(decrease) in other provisions		3	(19)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		30,780	28,124
(c) Non-cash investing and financing activities			
Other dedications		8,727	17,732
Total non-cash investing and financing activities		8,727	17,732

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Interests in other entities

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described in Note 1(c).

Name of operation/entity	Principal activity	Ownership		Voting rights	
		2018	2017	2018	2017
The Somerville Collection Ltd	Australian Fossil and Mineral Museum 224 Howick Street, Bathurst				
Interests in Subsidiary					
Council's interest in Subsidiary		0%	0%	20%	20%

The nature and extent of significant restrictions relating to the Subsidiary

The specimen collection is owned by the Australian Museum Trust.

The fixtures and fittings are owned by The Somerville Collection Limited, a company limited by guarantee.

The nature of risks associated with Council's interests in the Subsidiary

Council controls the day to day operations of the museum including the receipt of its income, payment of its expenses and employment of staff, including the liability for the leave entitlements of those staff.

Council has resolved, to support the operations of the museum to a maximum subsidy of \$250,000 each year into the future.

Other disclosures

Although Council's voting rights are only 20% and it owns none of the assets, because of the support of the day to day operations, Council considers that it has control over the operations.

Reporting dates of Subsidiary

The Somerville Collection balance date is 30 June.

Summarised financial information for the Subsidiary

Summarised statement of comprehensive income	2018	2017
Revenue	499	405
Expenses	(507)	(439)
Profit for the period	(8)	(34)
Summarised statement of financial position	2018	2017
Current assets	116	113
Non-current assets	204	224
Total assets	320	337
Current liabilities	6	18
Total liabilities	6	18
Net assets ⁽²⁾	314	319
Summarised statement of cash flows	2018	2017
Cash flows from operating activities	19	8
Net increase (decrease) in cash and cash equivalents	19	8

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Interests in other entities (continued)

Accounting policy for subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

(b) Joint arrangements

(i) County Councils

Council is a member of the Upper Macquarie County Council, a body corporate established under the *Local Government Act 1993 (NSW)* to control weeds. Council is one of 4 constituent members and does not control the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	1,796	739
Roads	320	–
Sewer	–	54
Stormwater Drainage	–	497
Structures	2	1,973
Water	309	1,786
Land	1,207	–
Investment property		
– Buildings	79	–
Total commitments	3,713	5,049
These expenditures are payable as follows:		
Within the next year	3,713	5,049
Total payable	3,713	5,049
Sources for funding of capital commitments:		
Unrestricted general funds	1,350	1,555
Future grants and contributions	1,346	1,028
Section 7.11 and 64 funds/reserves	938	1,786
Unexpended loans	79	680
Total sources of funding	3,713	5,049
(b) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	338	476
Later than one year and not later than 5 years	200	736
Total non-cancellable operating lease commitments	538	1,212

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

Computer equipment and associated software

Photocopiers

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to operating leases:

– All operating lease agreements are secured only against the leased asset.

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

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets 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 participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. 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 \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

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

As stated 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.

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 entity.

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

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, 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). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$ 676,649.74.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$ 657,434.08

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

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

Investment return	6.0% 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.

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 0.76% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-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.

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited (continued)

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

(iii) Somerville collection

The Council is a member of a company Limited by Guarantee called the Somerville Collection.

The company was established to manage & maintain the Somerville Collection (made up of fossils, minerals and other features) which are exhibited in Bathurst at the Australian Fossil and Mineral Museum. The Company is a non profit entity. In the event that the Company is wound up, Council's liability is limited to a maximum of \$100.

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

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

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.

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. Financial risk management

\$ '000

Risk management

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

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

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

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

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

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 21 June 2017 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report 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.

Note that for variations* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
REVENUES				
Rates and annual charges	43,598	41,750	(1,848)	(4%) U
User charges and fees	26,536	29,144	2,608	10% F
Interest and investment revenue	3,499	2,584	(915)	(26%) U
Interest rates remained depressed during the year despite forecasted rate rises by economists.				
Other revenues	4,452	5,210	758	17% F
Council received a legal settlement of \$717,000 during the year that was not budgeted for.				
Operating grants and contributions	10,937	13,568	2,631	24% F
Council received extra funding for roads maintenance and construction of non-council roads.				
Capital grants and contributions	26,247	21,285	(4,962)	(19%) U
Delays in the progress of the Mount Panorama second track construction delayed the receipt of grant funding.				
Net gains from disposal of assets	32,605	3,881	(28,724)	(88%) U
Delays in Council's land development operations resulted in two subdivisions not being completed and sold as per the budget.				

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	29,927	30,212	(285)	(1%)	U
Borrowing costs	1,300	1,254	46	4%	F
Materials and contracts	32,153	32,034	119	0%	F
Depreciation and amortisation	23,713	24,497	(784)	(3%)	U
Other expenses	10,725	10,643	82	1%	F

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	41,164	30,780	(10,384)	(25.2%)	U
Reductions in grants noted above have affected this item.					
Cash flows from investing activities	(39,520)	(28,594)	10,926	(27.6%)	F
Dealys in Real Estate sales have affected this item.					
Cash flows from financing activities	7,608	4,484	(3,124)	(41.1%)	U
The budget included loan funding for various capital works projects that did not proceed, therefore loans were not required.					

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 20. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Investment property

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) The following table presents all assets and liabilities that have been measured and recognised at fair values:

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
2018					
Recurring fair value measurements					
Investment property					
230 Howick Street, Bathurst	30/06/18	–	14,966	–	14,966
Total investment property		–	14,966	–	14,966
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	–	10,837	10,837
Office equipment	30/06/18	–	–	779	779
Furniture and fittings	30/06/18	–	–	694	694
Operational land	30/06/18	–	–	100,589	100,589
Community land	30/06/16	–	–	17,542	17,542
Land under roads (post 30/6/08)	30/06/18	–	–	690	690
Land improvements – depreciable	30/06/18	–	–	18,938	18,938
Buildings – non-specialised	30/06/18	–	–	194	194
Buildings – specialised	30/06/18	–	–	129,501	129,501
Other structures	30/06/16	–	–	15,447	15,447
Roads	30/06/15	–	–	282,510	282,510
Bridges	30/06/15	–	–	22,058	22,058
Footpaths	30/06/15	–	–	9,987	9,987
Bulk earthworks (non-depreciable)	30/06/15	–	–	125,091	125,091
Stormwater drainage	30/06/15	–	–	124,103	124,103
Water supply network	30/06/18	–	–	225,399	225,399
Sewerage network	30/06/18	–	–	144,351	144,351
Swimming pools	30/06/18	–	–	12,335	12,335
Other assets	30/06/18	–	–	27,519	27,519
Tip	30/06/18	–	–	1,373	1,373
Total infrastructure, property, plant and equipment		–	–	1,269,937	1,269,937

Bathurst Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values: (continued)

		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Investment property					
230 Howick Street, Bathurst	30/06/17	–	10,996	–	10,996
Total investment property		–	10,996	–	10,996
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/17	–	–	10,320	10,320
Office equipment	30/06/17	–	–	429	429
Furniture and fittings	30/06/17	–	–	122	122
Operational land	30/06/13	–	–	67,520	67,520
Community land	30/06/16	–	–	17,740	17,740
Land under roads (post 30/6/08)	30/06/17	–	–	172	172
Land improvements – depreciable	30/06/17	–	–	16,482	16,482
Buildings – non-specialised	30/06/13	–	–	111,874	111,874
Other structures	30/06/16	–	–	14,432	14,432
Roads	30/06/15	–	–	282,949	282,949
Bridges	30/06/15	–	–	22,476	22,476
Footpaths	30/06/15	–	–	9,298	9,298
Bulk earthworks (non-depreciable)	30/06/15	–	–	122,853	122,853
Stormwater drainage	30/06/15	–	–	119,104	119,104
Water supply network	30/06/17	–	–	219,384	219,384
Sewerage network	30/06/17	–	–	142,041	142,041
Swimming pools	30/06/13	–	–	12,472	12,472
Other assets	30/06/17	–	–	27,491	27,491
Tip	30/06/17	–	–	1,394	1,394
Total infrastructure, property, plant and equipment		–	–	1,198,553	1,198,553

(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.

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

(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 Properties

The investment property at 230 Howick Street, Bathurst was valued by Liquid Pacific Pty Ltd, registered valuers, in June 2018.

Infrastructure, Property, Plant and Equipment

Land and Buildings

The buildings asset class includes any 'enclosable' roofed structure (4 walls), otherwise assets are classified as Other Structures. Land is classified as either operational or community by Council when acquired. Operational land includes those parcels that are used or earmarked for future use in Council's operations. Community land typically includes road and drainage reserves and open space areas.

Community land is valued at the current valuation provided by the Valuer General of NSW in 2016 and does not have an active market. As such, these assets were classified as having been valued using level 3 valuation inputs.

Operational land and buildings were valued by Liquid Pacific Pty Ltd, Registered Valuers, in June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While buildings were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2) other inputs (such as estimates of residual value and pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were classified as having been valued using Level 3 valuation inputs.

During the financial year Council completed the construction of a number of buildings. While the costs were current and the impact of depreciation was negligible, buildings have been classified as Level 3 as they were immaterial in relation to the overall value of this asset class. There has been no change to the valuation process during the reporting period.

Other Structures

This asset class includes any non-enclosable roofed or non-roofed structure (fewer than 4 walls). Other Structures were revalued in 2016 using the cost approach. This was derived via a number of methods, depending on the information available (historical cost, actual quotes/tenders, published component rates). Due to the highly varied nature of this asset class, only very small subsets of assets can be valued using the same basis. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. There has been no change to the valuation process during the reporting period.

Roads

This asset class comprises the Road Carriageway, Guardrails, Kerb and Gutter, Signs and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

gutter or other roadside drainage. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure.

Roads were revalued by Council staff on 30 June 2015. Valuations for the road carriageway, comprising surface, pavement and formation earthworks were based on calculations carried out by the Assets Team, utilising internal cost rates and the detailed asset information residing in Council's Asset Management System - "Confirm". Other Road Infrastructure was valued the same way.

The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (Level 2) other inputs (such as estimates pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. There has been no change to the valuation process during the reporting period.

Bridges

Bridges were valued in 2015 by Garry Dennis from Bridge Check Australia Pty Ltd using the cost approach and also included a condition assessment. The approach estimated the replace for each bridge in its entirety; deck, approaches, railings and abutments.

All bridges were physically inspected and an assessment made of the component condition. Unit rates based on deck areas could be supported from market evidence (level 2) however other inputs (pattern of consumption, site-specific technical design issues) require extensive professional judgement and impact on the final determination of fair value. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. No change has been made to the valuation process during the reporting period.

Footpaths

Footpaths were revalued by Council Staff on 30 June 2015 using the cost approach using internal unit cost inputs (Level 3). Footpaths are inspected on either an annual or semi-annul basis for defects and condition and the results are included in the asset register (Confirm) system. There has been no change to the valuation process during the reporting period.

Parking areas

Parking areas are valued and assessed on the same basis as roads.

Bus Shelters

Bus Shelters are valued and assessed on the same basis as Other Structures.

Aerodrome

This comprises the infrastructure assets that form the aerodrome. Equivalent asset classes have been valued using the same conditions and parameters as described above (runway surface, pavement and earthworks as for roads; parking areas, other structures and drainage like for like). Revalued by Council staff on 30 June 2015. Substantial professional judgement has been required to undertake this work and this class is therefore classified as Level 3. No change has been made to the valuation process during the reporting period.

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Water Supply network

Assets within this class comprise the infrastructure to supply a reticulated potable drinking water service to Bathurst and adjoining suburbs/villages. There is also a small non-potable service at Hillview Estate Napoleon Reef and a raw-water supply from Winburndale Dam used for irrigation of parks and playing fields in town.

In Bathurst, there is the Filtration Plant, Pump Stations, Reservoirs and reticulation pipe network. A revaluation was made as at 30 June 2017; the reticulation network valued on the basis outlined in the DPI NSW Reference Rates Manual and all other assets were revalued as part of a CENTROC-wide contract with Australis Valuers. While this provides some degree of observability, a substantial amount of professional judgement is required due to limitations in the historical records of very long lived assets as there is some uncertainty regarding the actual design, specifications and dimensions of some assets. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. Apart from the use of a different external valuer, there has been no change to the valuation process during the reporting period.

Sewerage network

Assets within this class comprise the infrastructure to supply a reticulated waste water (sewerage) service to Bathurst and adjoining suburbs/villages. This is the Reticulation Pipe Network, Pump Stations and Treatment Plant. A revaluation was made as at 30 June 2017; the reticulation network valued on the basis outlined in the DPI NSW Reference Rates Manual and all other assets were revalued as part of a CENTROC-wide contract with Australis Valuers. While this provides some degree of observability, a substantial amount of professional judgement is required due to limitations in the historical records of very long lived assets as there is some uncertainty regarding the actual design, specifications and dimensions of some assets. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. Apart from the use of a different external valuer, there has been no change to the valuation process during the reporting period.

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

Drainage assets were revalued by Council staff on 30 June 2015. 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 pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. There has been no change to the valuation process during the reporting period.

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 2&3)

a. The following tables present the changes in level 2 & 3 fair value asset classes.

	Investment property (Level 2)	Land and buildings (Level 3)	Infra- structure assets (Level 3)	Other assets (Level 3)	Total
Opening balance – 1/7/16	10,660	206,273	833,513	39,885	1,090,331
Purchases (GBV)	133	10,347	35,471	3,065	49,016
Disposals (WDV)	–	(750)	–	(305)	(1,055)
Depreciation and impairment	–	(2,112)	(18,829)	(2,889)	(23,830)
FV gains – other comprehensive income	–	–	94,854	–	94,854
FV gains – Income Statement ¹	203	–	–	–	203
Transfer from Real Estate Assets	–	30	–	–	30
Closing balance – 30/6/17	10,996	213,788	945,009	39,756	1,209,549
Purchases (GBV)	1,291	9,014	28,355	4,865	43,525
Disposals (WDV)	–	(597)	(394)	–	(991)
Depreciation and impairment	–	(1,944)	(19,528)	(3,025)	(24,497)
FV gains – other comprehensive income	–	–	54,638	–	54,638
FV gains – Income Statement ¹	2,679	–	–	–	2,679
Closing balance – 30/6/18	14,966	220,261	1,008,080	41,596	1,284,903
¹ FV gains recognised in the Income Statement relating to assets still on hand at year end total:					
YE 16/17	203	–	–	–	203
YE 17/18	2,679	–	–	–	2,679

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

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

b. Significant unobservable valuation inputs used (for level 2 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 2 asset class fair values.

Investment properties

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Observable inputs
230 Howick Street, Bathurst	14,966	Independent Market Valuation by a registered valuer	Land value, land area

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

I,PP&E

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Land & Buildings	220,261	Independent Market Valuation by a Registered Valuer	Land value, land area
Infrastructure	1,008,080	Internal Valuation	Based on actual costs and indexed where required. Estimation of remaining asset lives where infrastructure is below ground.
Other Assets	41,596	Internal Valuation and Independent Market Valuation where available	Based on actual costs and indexed where required.

c. The Valuation Process for Level 3 Fair Value Measurements

For the period ending 30/6/2018 Operational Land and Buildings were revalued by Liquid Pacific Pty Ltd, Registered Valuers.

(5). Highest and best use

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

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	1,359	1,472
Post-employment benefits	615	85
Other long-term benefits	—	28
Total	1,974	1,585

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions

\$ '000

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

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	3,990	790	–	50	(318)	–	4,512	–
Roads	1,216	25	–	18	–	–	1,259	–
Parking	683	–	–	4	–	–	687	–
Open space	554	646	–	4	(369)	–	835	–
Community facilities	4,808	2,152	–	68	(236)	–	6,792	–
S7.11 contributions – under a plan	11,251	3,613	–	144	(923)	–	14,085	–
Total S7.11 and S7.12 revenue under plans	11,251	3,613	–	144	(923)	–	14,085	–
S7.11 not under plans	3,673	1,662	–	40	(292)	–	5,083	–
S64 contributions	18,747	5,302	–	229	(2,732)	–	21,546	–
Total contributions	33,671	10,577	–	413	(3,947)	–	40,714	–

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Jordan Creek Stormwater Drainage Management

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	666	53	–	9	(102)	–	626	
Total	666	53	–	9	(102)	–	626	–

CONTRIBUTION PLAN - Raglan Creek Stormwater Drainage

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	2,137	422	–	28	(216)	–	2,371	
Total	2,137	422	–	28	(216)	–	2,371	–

CONTRIBUTION PLAN - Sawpit Creek Drainage

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	520	117	–	3	–	–	640	
Total	520	117	–	3	–	–	640	–

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Reconstruct Hereford Street

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	421	8	–	6	–	–	435	
Total	421	8	–	6	–	–	435	–

CONTRIBUTION PLAN - Central Carparking Strategies

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	683	–	–	4	–	–	687	
Total	683	–	–	4	–	–	687	–

CONTRIBUTION PLAN - Community Facilities & Services Bathurst

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	4,808	2,152	–	68	(236)	–	6,792	
Total	4,808	2,152	–	68	(236)	–	6,792	–

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Robin Hill Drainage

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	459	–	–	7	–	–	466	
Total	459	–	–	7	–	–	466	–

CONTRIBUTION PLAN - Eglinton Open Space & Drainage

PURPOSE	Opening balance	Contributions received during the year		Interest earned	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	208	198	–	3	–	–	409	
Open space	236	223	–	3	–	–	462	
Total	444	421	–	6	–	–	871	–

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Bathurst Regional Open Space

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	318	423	–	1	(369)	–	373	
Total	318	423	–	1	(369)	–	373	–

CONTRIBUTION PLAN - Roadworks - New Residential Subdivisions (Area 4 Kelso)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	795	17	–	12	–	–	824	
Total	795	17	–	12	–	–	824	–

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	3,248	1,532	–	36	(185)	–	4,631	
Other	425	130	–	4	(107)	–	452	
Total	3,673	1,662	–	40	(292)	–	5,083	–

Bathurst Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 23. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	3,102	8,720	29,928
User charges and fees	14,286	2,707	12,151
Interest and investment revenue	154	333	2,097
Other revenues	71	26	5,113
Grants and contributions provided for operating purposes	109	106	13,353
Grants and contributions provided for capital purposes	3,492	4,044	13,749
Other income			
Net gains from disposal of assets	–	–	3,894
Fair value increment on investment property	–	–	2,679
Total income from continuing operations	21,214	15,936	82,964
Expenses from continuing operations			
Employee benefits and on-costs	3,400	3,049	23,763
Borrowing costs	180	–	1,074
Materials and contracts	7,651	4,723	19,660
Depreciation and amortisation	4,223	3,263	17,011
Other expenses	1,289	716	8,638
Net losses from the disposal of assets	13	–	–
Total expenses from continuing operations	16,756	11,751	70,146
Operating result from continuing operations	4,458	4,185	12,818
Net operating result for the year	4,458	4,185	12,818
Net operating result attributable to each council fund	4,458	4,185	12,818
Net operating result for the year before grants and contributions provided for capital purposes	966	141	(931)

¹ General fund refers to all Council's activities other than Water and Sewer.

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

Bathurst Regional Council

Notes to the Financial Statements
as at 30 June 2018

Note 23. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	16,497	14,072	–
Investments	–	–	36,808
Receivables	4,331	1,015	5,177
Inventories	–	–	4,357
Other	–	–	817
Total current assets	20,828	15,087	47,159
Non-current assets			
Investments	5,726	15,820	7,034
Receivables	54	33	527
Inventories	–	–	9,474
Infrastructure, property, plant and equipment	243,327	149,670	876,940
Investment property	–	–	14,966
Total non-current assets	249,107	165,523	908,941
TOTAL ASSETS	269,935	180,610	956,100
LIABILITIES			
Current liabilities			
Payables	189	96	7,328
Income received in advance	–	–	1,233
Borrowings	180	–	4,769
Provisions	771	317	9,327
Total current liabilities	1,140	413	22,657
Non-current liabilities			
Payables	–	–	1,053
Borrowings	4,647	–	21,900
Provisions	2	8	1,578
Total non-current liabilities	4,649	8	24,531
TOTAL LIABILITIES	5,789	421	47,188
Net assets	264,146	180,189	908,912
EQUITY			
Accumulated surplus	141,305	86,547	451,294
Revaluation reserves	122,841	93,642	457,618
Total equity	264,146	180,189	908,912

¹ General Fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(6,384)	-6.92%	-5.45%	-6.91%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	92,256				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	78,688	69.30%	62.40%	75.73%	> 60.00%
Total continuing operating revenue ⁽¹⁾	113,541				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	16,633	1.14x	2.27x	1.88x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	14,634				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	19,367	3.66x	4.12x	3.95x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,295				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	2,737	6.17%	5.68%	5.85%	10%
Rates, annual and extra charges collectible	44,332				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	74,407	10.47 mths	10.0 mths	8.4 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	7,106				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

⁽³⁾ Refer to Notes 11 and 12.

⁽⁴⁾ Refer to Note 11(b) and 12(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	-11.79%	-9.56%	4.93%	2.09%	1.08%	6.68%	> 0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾	64.52%	56.80%	83.03%	75.80%	73.96%	74.29%	> 60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	1.14x	2.27x	14.06x	10.05x	36.53x	22.19x	> 1.5x

Notes

(1) - (4) Refer to Notes at Note 24a above.

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

Bathurst Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	2.17x	2.49x	14.92x	1,051.25x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	6.01%	5.54%	6.68%	6.34%	6.62%	6.01%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	6.17	7.90	0.00	15.53	0.00	20.04	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 24a above.

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

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 25. Financial review and commentary

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Inflows:					
Rates and annual charges revenue	41,750	39,819	36,844	34,686	32,874
User charges revenue	29,144	25,978	24,908	22,884	23,980
Interest and investment revenue (losses)	2,584	2,403	2,503	3,232	3,246
Grants income – operating and capital	16,220	15,977	13,465	11,040	13,352
Total income from continuing operations	120,101	128,580	102,611	87,652	91,701
Sale proceeds from IPP&E	5,330	14,572	14,393	1,647	9,452
New loan borrowings and advances	8,525	9,300	3,000	3,000	3,000
Outflows:					
Employee benefits and on-cost expenses	30,212	29,613	29,789	27,156	26,359
Borrowing costs	1,254	1,155	1,281	1,427	1,474
Materials and contracts expenses	32,034	29,165	24,795	23,814	24,703
Total expenses from continuing operations	98,640	93,069	88,194	80,629	77,770
Total cash purchases of IPP&E	33,507	31,151	34,129	31,323	20,910
Total loan repayments (incl. finance leases)	4,041	3,741	3,373	3,320	2,903
Operating surplus/(deficit) (excl. capital income)	176	7,744	6,752	(1,344)	5,134
Financial position figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Current assets	83,074	71,727	60,379	66,499	73,207
Current liabilities	24,210	22,237	22,958	19,466	17,286
Net current assets	58,864	49,490	37,421	47,033	55,921
Available working capital (Unrestricted net current assets)	1,321	2,102	2,564	3,359	3,742
Cash and investments – unrestricted	42	84	120	374	588
Cash and investments – internal restrictions	6,240	20,296	15,095	18,557	26,170
Cash and investments – total	95,957	91,907	74,993	76,596	87,009
Total borrowings outstanding (Loans, advances and finance leases)	31,496	27,012	21,453	21,826	22,146
Total value of IPP&E (excl. land and earthwork)	1,542,322	1,458,872	1,392,182	1,350,292	1,406,656
Total accumulated depreciation	516,297	468,604	514,190	486,349	438,169
Indicative remaining useful life (as a % of GBV)	67%	68%	63%	64%	69%

Source: published audited financial statements of Council (current year and prior year)

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 26. Council information and contact details

Principal place of business:

158 Russell Street
BATHURST NSW 2795

Contact details
Mailing address:

Private Mail Bag 17
BATHURST NSW 2795

Opening hours:

General Office, Departments and Cashiers
8.30am to 4.45pm weekdays

Telephone: 02 6333 6111

Facsimile: 02 6331 7211

Internet: www.bathurst.nsw.gov.au

Email: council@bathurst.nsw.gov.au

Officers
GENERAL MANAGER

David Sherley

RESPONSIBLE ACCOUNTING OFFICER

Aaron Jones

PUBLIC OFFICER

Aaron Jones

AUDITORS

Auditor General of NSW
15/1 Margaret St, Sydney NSW 2000

Elected members
MAYOR

Graeme Hanger

COUNCILLORS

Warren Aubin

Bobby Bourke

Alex Christian

John Fry

Jess Jennings

Monica Morse

Ian North

Jacqueline Rudge

Other information

ABN: 42 173 522 302



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Bathurst Regional Council

To the Councillors of the Bathurst Regional Council

Opinion

I have audited the accompanying financial report of Bathurst Regional Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, 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 report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, 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 report 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 Report' 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

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report 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 report 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 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Report

The Councillors are responsible for the preparation and fair presentation of the financial report 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, 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 Report

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 financial report.

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Karen Taylor
Director, Financial Audit Services

30 October 2018
SYDNEY

The Mayor
Councillor Graeme Hanger
c/- Bathurst Regional Council
Private Mail Bag 17
BATHURST NSW 2795

Contact: Karen Taylor
Phone no: 02 92757311
Our ref: D1826548/1688

30 October 2018

Dear Mr Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2018
Bathurst Regional Council**

I have audited the general purpose financial statements of the Bathurst Regional Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	41.7	39.8	↑ 4.8
User charges and fees	29.1	26.0	↑ 11.9
Grants and contributions revenue	34.9	43.6	↓ 20.0
Employee benefits	30.2	29.6	↑ 2.0
Operating result for the year	21.5	35.5	↓ 39.4
Net operating result before capital amounts	0.2	7.7	↓ 97.4

Council's operating result (\$21.5 million including the effect of depreciation and amortisation expense of \$24.5 million) was \$14.0 million lower than the 2016–17 result.

The net operating result before capital grants and contributions (\$0.2 million) was \$7.5 million lower than the 2016–17 result.

Rates and annual charges revenue (\$41.7 million) increased by \$1.9 million (4.8 per cent) in 2017–18. Whilst the rate pegging for 2017–18 was set at 1.5 per cent, continued strong development in the council area has seen more rateable properties created.

User charges and fees have increased by \$3.1 million to \$29.1 million. Approximately \$1.5 million of this increase was for user charges for water supply services, with higher levels of consumption due to the prolonged dry conditions.

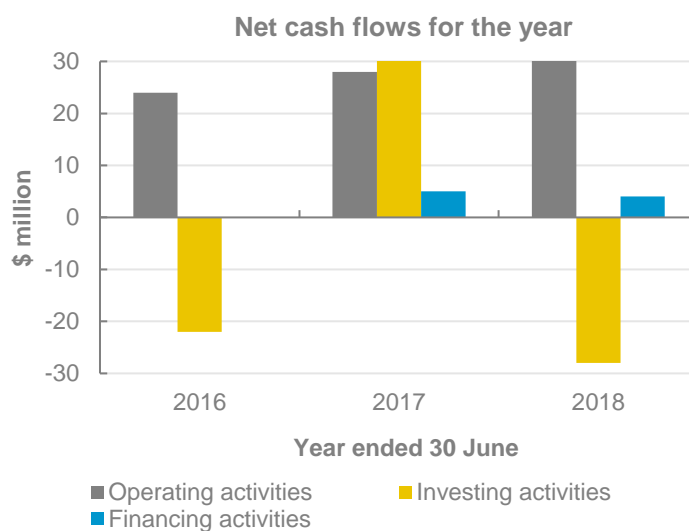
Council is an active participant in property development within the Council area. Revenue from the sale of these developments can vary from year to year depending on the amount of land held by Council which is complete and ready for sale. Council generated \$4.0 million from this revenue source in 2017–18, compared to \$13.1 million in the previous year.

Total grants and contributions revenue (\$34.9 million) fell by \$8.7 million in 2017–18. Key movements include:

- Financial Assistance Grants received in 2017–18 were \$6.4 million compared to \$9.0 million in 2016–17 due to the timing of payments by the Commonwealth
- During 2017/18, Council received non-cash contributions of \$6.5 million compared to \$12.6 million for 2016–17. Whilst Council typically receives significant non-cash contributions in the form of infrastructure assets associated with subdivision development, 2016–17 also included major contributions from the RMS for works conducted on the Great Western Highway.

STATEMENT OF CASH FLOWS

The net cash inflow for 2017–18 was \$6.7 million (2017 net cash inflow of \$0.01 million). This was mainly due to receiving of \$8.5 million for a loan draw down just prior to year-end, which was invested after year end. This resulted in a higher than usual level of cash and cash equivalents at year end.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	89.7	71.5	• Externally restricted balances include unexpended developer contributions water, sewer and domestic waste management charges.
Internal restrictions	6.2	20.3	
Unrestricted	0.1	0.1	• Balances are internally restricted due to Council policy or decisions for forward plans including works program. • Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	96.0	91.9	

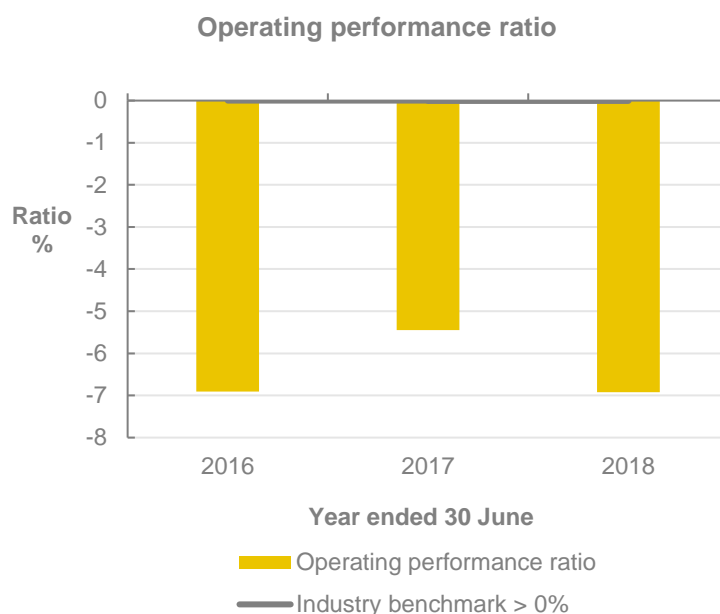
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 24 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

Council has not met this benchmark. Council considers its net profit on the sale of real estate assets as a key source of operating revenue, however this figure is excluded from the calculation of this indicator. In 2017–18, Council recognised \$3.6 million of net profit on the sale of real estate assets (2016–17: \$12.0 million).

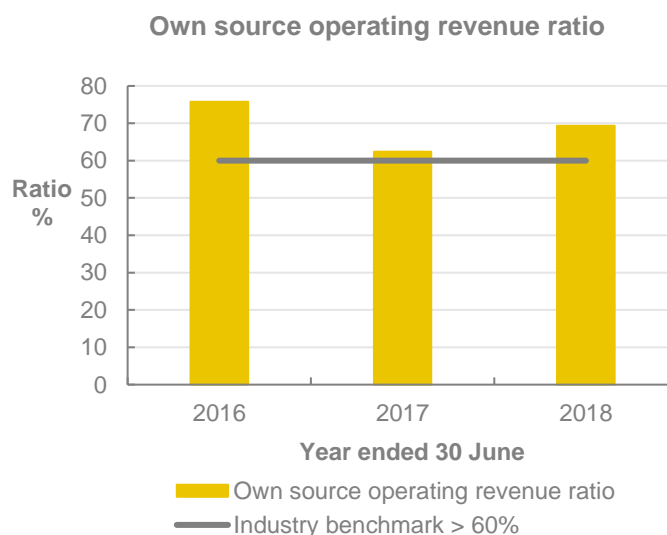
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

Council has maintained this ratio at above the benchmark for a number of years.

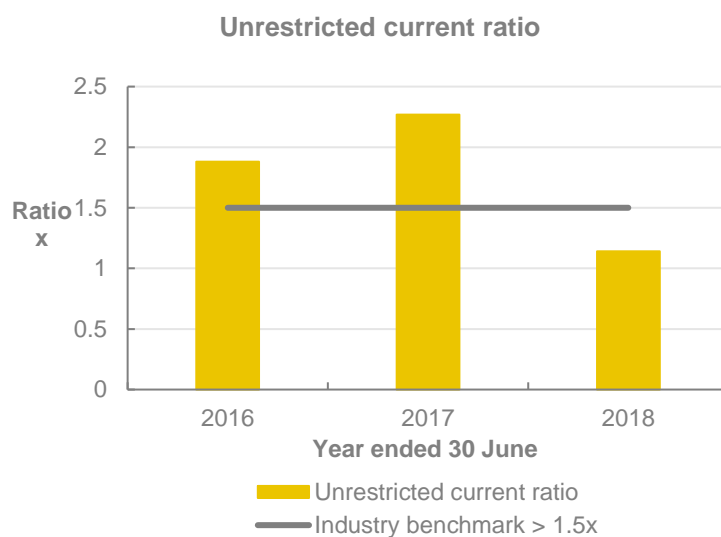
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council has fallen below the benchmark of 1.5 times for the first time in a number of years

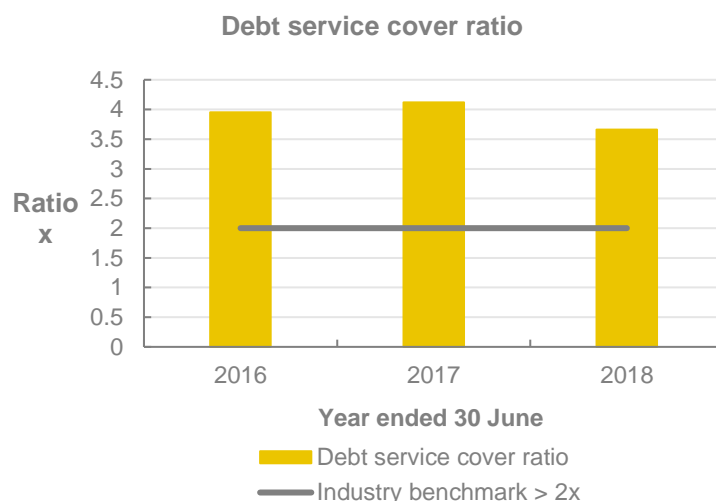
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

This ratio has remained relatively consistent for the last few years, reflecting Council's planned program of repaying old debt and drawing down new debt at competitive interest rates.

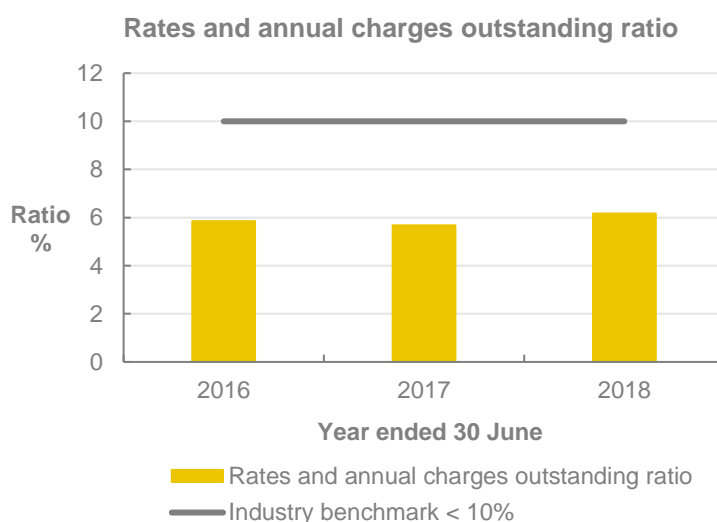
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

A sustained effort to effectively manage recovery has seen Council consistently outperform the benchmark for regional councils.

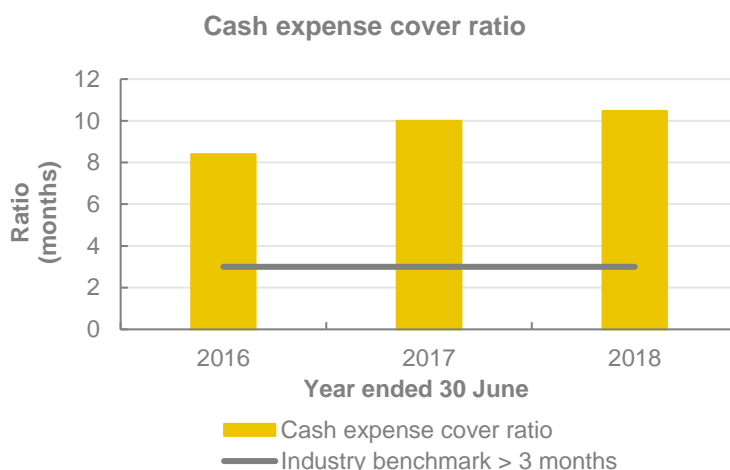
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional councils.



Cash expense cover ratio

Council's strong liquidity is reflected by this measure. Council comfortably exceeded the benchmark, as it has done for a number of years.

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

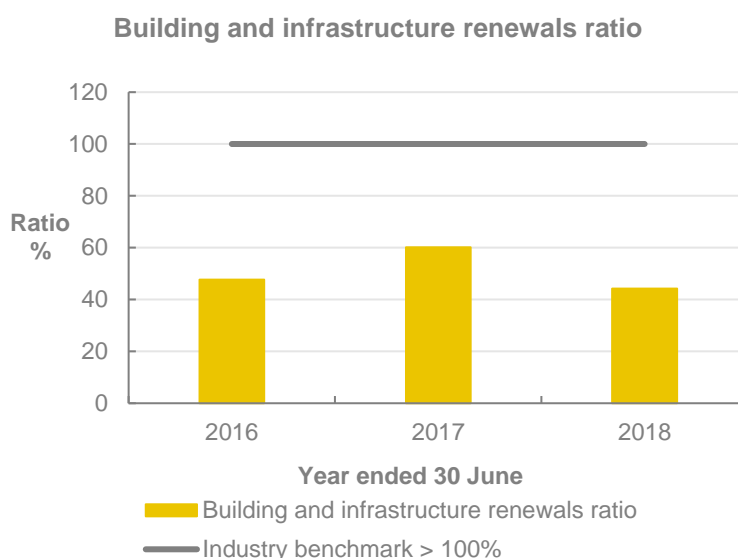


Building and infrastructure renewals ratio (unaudited)

The building and infrastructure renewals ratio can fluctuate from year to year, depending on the nature of the projects being undertaken by Council. The continued growth in the Bathurst region has meant that a significant number of projects relate to new services. Similarly, the non-cash dedications received by Council relate to new services, rather than renewals.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11.

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 reports. The Council's:

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



Karen Taylor
Director, Financial Audit Services

Bathurst Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*'A vibrant regional centre that enjoys a rural lifestyle, the
Bathurst Region achieves health and well being through
strengthening economic opportunities, planning for
sustainable growth, protecting and enhancing our assets, and
encouraging a supportive and inclusive community.
A Region full of community spirit and shared prosperity'*



Bathurst Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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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).
-

Bathurst Regional Council

Special Purpose Financial Statements for the year ended 30 June 2018

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 financial 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.

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 19 September 2018.



Graeme Hanger
Mayor



Bobby Bourke
Councillor



David Sherley
General manager



Aaron Jones
Responsible accounting officer

Bathurst Regional Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	3,102	2,790
User charges	14,073	12,443
Fees	213	171
Interest	154	161
Grants and contributions provided for non-capital purposes	109	98
Other income	71	51
Total income from continuing operations	17,722	15,714
Expenses from continuing operations		
Employee benefits and on-costs	3,400	3,283
Borrowing costs	180	4
Materials and contracts	7,651	6,973
Depreciation, amortisation and impairment	4,223	3,873
Loss on sale of assets	13	–
Calculated taxation equivalents	93	98
Debt guarantee fee (if applicable)	8	–
Other expenses	1,289	1,155
Total expenses from continuing operations	16,857	15,386
Surplus (deficit) from continuing operations before capital amounts	865	328
Grants and contributions provided for capital purposes	3,492	4,888
Surplus (deficit) from continuing operations after capital amounts	4,357	5,216
Surplus (deficit) from all operations before tax	4,357	5,216
Less: corporate taxation equivalent (30%) [based on result before capital]	(260)	(98)
SURPLUS (DEFICIT) AFTER TAX	4,098	5,118
Plus opening retained profits	136,849	131,535
Plus/less: prior period adjustments	(2)	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	93	98
– Debt guarantee fees	8	–
– Corporate taxation equivalent	260	98
Closing retained profits	141,305	136,849
Return on capital %	0.4%	0.1%
Subsidy from Council	5,355	5,317
Calculation of dividend payable:		
Surplus (deficit) after tax	4,098	5,118
Less: capital grants and contributions (excluding developer contributions)	(836)	(3,192)
Surplus for dividend calculation purposes	3,262	1,926
Potential dividend calculated from surplus	1,631	963

Bathurst Regional Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	8,720	8,138
User charges	1,877	1,797
Liquid trade waste charges	669	535
Fees	161	160
Interest	333	308
Grants and contributions provided for non-capital purposes	106	107
Other income	26	24
Total income from continuing operations	11,892	11,069
Expenses from continuing operations		
Employee benefits and on-costs	3,049	2,941
Materials and contracts	4,723	3,853
Depreciation, amortisation and impairment	3,263	3,028
Calculated taxation equivalents	13	14
Other expenses	716	494
Total expenses from continuing operations	11,764	10,330
Surplus (deficit) from continuing operations before capital amounts	128	739
Grants and contributions provided for capital purposes	4,044	3,687
Surplus (deficit) from continuing operations after capital amounts	4,172	4,426
Surplus (deficit) from all operations before tax	4,172	4,426
Less: corporate taxation equivalent (30%) [based on result before capital]	(38)	(222)
SURPLUS (DEFICIT) AFTER TAX	4,134	4,204
Plus opening retained profits	82,362	77,922
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	13	14
– Corporate taxation equivalent	38	222
Closing retained profits	86,547	82,362
Return on capital %	0.1%	0.5%
Subsidy from Council	3,808	2,745
Calculation of dividend payable:		
Surplus (deficit) after tax	4,134	4,204
Less: capital grants and contributions (excluding developer contributions)	(1,398)	(1,988)
Surplus for dividend calculation purposes	2,736	2,216
Potential dividend calculated from surplus	1,368	1,108

Bathurst Regional Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Waste	
	Category 1	
\$ '000	2018	2017
Income from continuing operations		
Access charges	6,206	5,937
Fees	6,440	5,775
Interest	163	161
Grants and contributions provided for non-capital purposes	10	17
Profit from the sale of assets	–	7
Other income	(1)	4
Total income from continuing operations	12,818	11,901
Expenses from continuing operations		
Employee benefits and on-costs	2,917	2,520
Borrowing costs	23	28
Materials and contracts	6,192	5,862
Depreciation, amortisation and impairment	555	527
Loss on sale of assets	95	(16)
Calculated taxation equivalents	74	79
Other expenses	1	58
Total expenses from continuing operations	9,857	9,058
Surplus (deficit) from continuing operations before capital amounts	2,961	2,843
Surplus (deficit) from continuing operations after capital amounts	2,961	2,843
Surplus (deficit) from all operations before tax	2,961	2,843
Less: corporate taxation equivalent (30%) [based on result before capital]	(888)	(853)
SURPLUS (DEFICIT) AFTER TAX	2,073	1,990
Plus opening retained profits	26,859	23,937
Plus/less: prior period adjustments	(1)	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	74	79
– Corporate taxation equivalent	888	853
Closing retained profits	29,893	26,859
Return on capital %	22.0%	26.3%
Subsidy from Council	–	–

Bathurst Regional Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	16,497	14,773
Receivables	4,331	3,530
Other	–	4
Total current assets	20,828	18,307
Non-current assets		
Investments	5,726	5,675
Receivables	54	53
Infrastructure, property, plant and equipment	243,327	237,336
Total non-current assets	249,107	243,064
TOTAL ASSETS	269,935	261,371
LIABILITIES		
Current liabilities		
Payables	189	457
Borrowings	180	173
Provisions	771	705
Total current liabilities	1,140	1,335
Non-current liabilities		
Borrowings	4,647	4,827
Provisions	2	2
Total non-current liabilities	4,649	4,829
TOTAL LIABILITIES	5,789	6,164
NET ASSETS	264,146	255,207
EQUITY		
Accumulated surplus	141,305	136,849
Revaluation reserves	122,841	118,358
TOTAL EQUITY	264,146	255,207

Bathurst Regional Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	14,072	12,169
Receivables	1,015	950
Other	–	20
Total current Assets	15,087	13,139
Non-current assets		
Investments	15,820	13,072
Receivables	33	30
Infrastructure, property, plant and equipment	149,670	146,388
Total non-current assets	165,523	159,490
TOTAL ASSETS	180,610	172,629
LIABILITIES		
Current liabilities		
Payables	96	300
Provisions	317	292
Total current liabilities	413	592
Non-current liabilities		
Provisions	8	4
Total non-current liabilities	8	4
TOTAL LIABILITIES	421	596
NET ASSETS	180,189	172,033
EQUITY		
Accumulated surplus	86,547	82,362
Revaluation reserves	93,642	89,671
TOTAL EQUITY	180,189	172,033

Bathurst Regional Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

Waste

Category 1

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	24,059	21,217
Receivables	947	757
Other	1	5
Total Current Assets	25,007	21,979
Non-current assets		
Receivables	228	253
Infrastructure, property, plant and equipment	13,536	10,924
Total non-current assets	13,764	11,177
TOTAL ASSETS	38,771	33,156
LIABILITIES		
Current liabilities		
Payables	39	93
Borrowings	–	38
Provisions	484	437
Total current liabilities	523	568
Non-current liabilities		
Provisions	1,477	1,460
Total non-current liabilities	1,477	1,460
TOTAL LIABILITIES	2,000	2,028
NET ASSETS	36,771	31,128
EQUITY		
Accumulated surplus	29,893	26,859
Revaluation reserves	6,878	4,269
TOTAL EQUITY	36,771	31,128

Bathurst Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	14
3	Sewerage Business Best-Practice Management disclosure requirements	16

Bathurst Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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, 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:

a. Bathurst Regional Council Water Supplies

Council's water supply activities (established as separate Special Rate Funds) servicing the region of Bathurst

b. Bathurst Regional Council Sewerage Service

Council's sewerage reticulation & treatment activities (established as a Special Rate Fund) servicing the region of Bathurst

Bathurst Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

c. Bathurst Regional Council Waste Services

Council's domestic waste service & solid waste depot activities servicing the region of Bathurst

Category 2

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

Council has no Category 2 businesses.

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

In accordance with Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

Bathurst Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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 30%.

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 30% 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.

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

Bathurst Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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 2.63% at 30/6/18.

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Bathurst Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 2. Water supply business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	101,000
(ii)	Number of assessments multiplied by \$3/assessment	47,388
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	47,388
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,630,750
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	426,492
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	6,571,400

2018 Surplus	3,261,500	2017 Surplus	1,925,600	2016 Surplus	1,384,300
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	426,492
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Bathurst Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 2. Water supply business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	21,102
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	79.14%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	225,399
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	11,680
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	5,760
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.14%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Bathurst Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 3. Sewerage business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	13,000
(ii)	Number of assessments multiplied by \$3/assessment	45,852
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	13,000
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,367,800
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	445,520
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	6,077,200

2018 Surplus	2,735,600	2017 Surplus	2,216,300	2016 Surplus	1,125,300
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	445,520
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Bathurst Regional Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	15,634
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	144,351
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	8,488
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	2,576
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.59%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	36,723
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.59%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	8,336
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	2.31%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Bathurst Regional Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage)	%	-10.64%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		> 100
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		9,082
	Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)		
	Net interest:		(234)
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	8,643
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	215
	Grants for pensioner rebates (w11b + s12b)		

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

Bathurst Regional Council

To the Councillors of the Bathurst Regional Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Bathurst Regional Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information 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
- waste management.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, 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 (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 Report' 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 report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial report may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report 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 report 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 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Report

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, 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 Report

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 financial report.

A description of my responsibilities for the audit of the financial report 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 best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Karen Taylor
Director, Financial Audit Services

30 October 2018
SYDNEY

Bathurst Regional Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

*'A vibrant regional centre that enjoys a rural lifestyle, the
Bathurst Region achieves health and well being through
strengthening economic opportunities, planning for
sustainable growth, protecting and enhancing our assets, and
encouraging a supportive and inclusive community.
A Region full of community spirit and shared prosperity'*



Bathurst Regional Council

Special Schedules

for the year ended 30 June 2018

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
 - the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
 - the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Bathurst Regional Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	2,438	–	–	(2,438)
Administration	13,434	1,439	2,533	(9,462)
Public order and safety				
Fire service levy, fire protection, emergency services	1,171	254	11	(906)
Beach control	–	–	–	–
Enforcement of local government regulations	211	268	–	57
Animal control	459	79	–	(380)
Other	–	–	–	–
Total public order and safety	1,841	601	11	(1,229)
Health	–	–	–	–
Environment				
Noxious plants and insect/vermin control	218	–	–	(218)
Other environmental protection	1,069	259	–	(810)
Solid waste management	5,922	9,441	–	3,519
Street cleaning	254	–	–	(254)
Drainage	2,215	177	2,701	663
Stormwater management	162	–	500	338
Total environment	9,840	9,877	3,201	3,238
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	2,793	2,835	33	75
Total community services and education	2,793	2,835	33	75
Housing and community amenities				
Public cemeteries	30	26	–	(4)
Public conveniences	195	–	–	(195)
Street lighting	1,178	109	–	(1,069)
Town planning	1,426	60	–	(1,366)
Other community amenities	14	32	25	43
Total housing and community amenities	2,843	227	25	(2,591)
Water supplies	12,730	16,463	3,492	7,225
Sewerage services	8,935	11,607	4,044	6,716

Bathurst Regional Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,566	169	–	(1,397)
Museums	1,148	460	215	(473)
Art galleries	942	111	87	(744)
Community centres and halls	518	118	99	(301)
Performing arts venues	1,635	750	–	(885)
Other performing arts	–	–	–	–
Other cultural services	1,053	5	–	(1,048)
Sporting grounds and venues	1,130	3	77	(1,050)
Swimming pools	658	–	–	(658)
Parks and gardens (lakes)	4,643	216	1,598	(2,829)
Other sport and recreation	4,272	3,764	–	(508)
Total recreation and culture	17,565	5,596	2,076	(9,893)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,382	969	–	(413)
Other mining, manufacturing and construction	2	–	–	(2)
Total mining, manufacturing and const.	1,384	969	–	(415)
Transport and communication				
Urban roads (UR) – local	7,434	3,133	3,731	(570)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	4,995	–	–	(4,995)
Sealed rural roads (SRR) – regional	180	3,391	–	3,211
Unsealed rural roads (URR) – local	2,266	–	2,000	(266)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	20	–	–	(20)
Bridges on SRR – local	–	21	–	21
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	103	–	–	(103)
Footpaths	1,064	–	77	(987)
Aerodromes	776	475	62	(239)
Other transport and communication	2,556	870	–	(1,686)
Total transport and communication	19,394	7,890	5,870	(5,634)
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	5,443	8,662	–	3,219
Total economic affairs	5,443	8,662	–	3,219
Totals – functions	98,640	66,166	21,285	(11,189)
General purpose revenues ⁽¹⁾		32,650		32,650
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	98,640	98,816	21,285	21,461

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As reported in the Income Statement

Bathurst Regional Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	25,203	24,457
Plus or minus adjustments ⁽²⁾	b	411	366
Notional general income	c = (a + b)	25,614	24,823
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c – g)	—	—
Or plus rate peg amount	i = c x e	589	372
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	26,203	25,195
Plus (or minus) last year's carry forward total	l	21	29
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	21	29
Total permissible income	o = k + n	26,224	25,224
Less notional general income yield	p	26,166	25,203
Catch-up or (excess) result	q = o – p	58	21
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	(21)	—
Carry forward to next year	t = q + r – s	37	21

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 Special Schedule 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Bathurst Regional Council

To the Councillors of Bathurst Regional Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Bathurst Regional Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), 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 had 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

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than 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 the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Karen Taylor
Director, Financial Audit Services

30 October 2018
SYDNEY

Bathurst Regional Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,482	1,417
b. Engineering and supervision	1,818	1,715
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	439	334
b. Maintenance expenses	260	321
– Mains		
c. Operation expenses	1,217	1,143
d. Maintenance expenses	2,007	1,790
– Reservoirs		
e. Operation expenses	41	16
f. Maintenance expenses	287	78
– Pumping stations		
g. Operation expenses (excluding energy costs)	25	10
h. Energy costs	180	148
i. Maintenance expenses	5	2
– Treatment		
j. Operation expenses (excluding chemical costs)	1,992	1,847
k. Chemical costs	668	442
l. Maintenance expenses	1,256	1,408
– Other		
m. Operation expenses	3	3
n. Maintenance expenses	–	–
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	3,889	3,556
b. Plant and equipment	334	317
4. Miscellaneous expenses		
a. Interest expenses	180	4
b. Revaluation decrements	–	–
c. Other expenses	660	737
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	16,743	15,288

Bathurst Regional Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	2,302	2,044
b. Usage charges	8,731	7,579
7. Non-residential charges		
a. Access (including rates)	800	746
b. Usage charges	5,342	4,864
8. Extra charges	42	49
9. Interest income	112	112
10. Other income	284	222
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	109	98
c. Other grants	–	–
12. Contributions		
a. Developer charges	2,656	1,696
b. Developer provided assets	836	3,192
c. Other contributions	–	–
13. Total income	21,214	20,602
14. Gain (or loss) on disposal of assets	(13)	–
15. Operating result	4,458	5,314
15a. Operating result (less grants for acquisition of assets)	4,458	5,314

Bathurst Regional Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	36	14
b. New assets for growth	3,545	9,748
c. Renewals	1,832	881
d. Plant and equipment	347	56
17. Repayment of debt	173	–
18. Totals	5,933	10,699
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	5,000
21. Totals	–	5,000
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	13,681	13,511
b. Residential (unoccupied, ie. vacant lot)	549	538
c. Non-residential (occupied)	1,374	1,378
d. Non-residential (unoccupied, ie. vacant lot)	192	174
23. Number of ETs for which developer charges were received	476 ET	313 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 253,177	\$ 256,166

Bathurst Regional Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	5,726	5,726
b. Special purpose grants	7	–	7
c. Accrued leave	–	–	–
d. Unexpended loans	4,793	–	4,793
e. Sinking fund	–	–	–
f. Other	11,697	–	11,697
26. Receivables			
a. Specific purpose grants	3	–	3
b. Rates and availability charges	156	54	210
c. User charges	4,157	–	4,157
d. Other	15	–	15
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	225,399	225,399
b. Plant and equipment	–	17,928	17,928
29. Other assets	–	–	–
30. Total assets	20,828	249,107	269,935
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	189	–	189
33. Borrowings	180	4,647	4,827
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	771	2	773
35. Total liabilities	1,140	4,649	5,789
36. NET ASSETS COMMITTED	19,688	244,458	264,146
EQUITY			
37. Accumulated surplus			141,305
38. Asset revaluation reserve			122,841
39. Other reserves			–
40. TOTAL EQUITY			264,146
Note to system assets:			
41. Current replacement cost of system assets			345,161
42. Accumulated current cost depreciation of system assets			(119,762)
43. Written down current cost of system assets			225,399

Bathurst Regional Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	3,206	2,912
b. Engineering and supervision	214	188
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	391	183
b. Maintenance expenses	1,427	662
– Pumping stations		
c. Operation expenses (excluding energy costs)	506	549
d. Energy costs	72	51
e. Maintenance expenses	186	142
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,255	1,346
g. Chemical costs	–	–
h. Energy costs	603	439
i. Effluent management	–	–
j. Biosolids management	29	18
k. Maintenance expenses	599	798
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	3,109	2,877
b. Plant and equipment	154	151
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	11,751	10,316

Bathurst Regional Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	7,259	6,750
7. Non-residential charges		
a. Access (including rates)	1,461	1,388
b. Usage charges	1,877	1,797
8. Trade waste charges		
a. Annual fees	33	31
b. Usage charges	636	504
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	31	33
10. Interest income	302	275
11. Other income	187	184
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	106	107
c. Other grants	–	–
13. Contributions		
a. Developer charges	2,646	1,699
b. Developer provided assets	1,398	1,988
c. Other contributions	–	–
14. Total income	15,936	14,756
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	4,185	4,440
16a. Operating result (less grants for acquisition of assets)	4,185	4,440

Bathurst Regional Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	311	44
b. New assets for growth	1,841	2,814
c. Renewals	382	442
d. Plant and equipment	42	578
18. Repayment of debt	–	–
19. Totals	2,576	3,878
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	13,428	13,176
b. Residential (unoccupied, ie. vacant lot)	290	393
c. Non-residential (occupied)	1,374	1,378
d. Non-residential (unoccupied, ie. vacant lot)	192	174
24. Number of ETs for which developer charges were received	488 ET	323 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 246,697	\$ 250,062

Bathurst Regional Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	15,820	15,820
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	14,072	–	14,072
27. Receivables			
a. Specific purpose grants	3	–	3
b. Rates and availability charges	546	33	579
c. User charges	434	–	434
d. Other	32	–	32
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	144,351	144,351
b. Plant and equipment	–	5,319	5,319
30. Other assets	–	–	–
31. Total assets	15,087	165,523	180,610
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	96	–	96
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	317	8	325
36. Total liabilities	413	8	421
37. NET ASSETS COMMITTED	14,674	165,515	180,189
EQUITY			
38. Accumulated surplus			86,547
39. Asset revaluation reserve			93,642
40. Other reserves			–
41. TOTAL EQUITY			180,189
Note to system assets:			
42. Current replacement cost of system assets			221,191
43. Accumulated current cost depreciation of system assets			(76,840)
44. Written down current cost of system assets			144,351

Bathurst Regional Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Bathurst Regional Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	5,825	2,582	1,292	1,294	129,501	180,613	56%	25%	12%	6%	1%
	Other - Leasehold Improvements	—	—	—	—	194	194	100%	0%	0%	0%	0%
	Sub-total	5,825	2,582	1,292	1,294	129,695	180,807	56.0%	25.0%	12.0%	6.0%	1.0%
Other structures	Other structures	4,369	3,616	588	352	15,447	22,383	41%	24%	18%	11%	6%
	Sub-total	4,369	3,616	588	352	15,447	22,383	41.0%	24.0%	18.0%	11.0%	6.0%
Roads	Sealed roads	54,359	13,795	8,598	5,921	274,753	427,253	15%	25%	28%	26%	6%
	Unsealed roads	1,749	407	382	1,280	7,757	16,419	12%	8%	51%	26%	3%
	Bridges	4,067	1,639	1,444	2	22,058	38,485	26%	29%	40%	4%	1%
	Footpaths	715	50	207	15	9,987	15,378	35%	20%	33%	10%	2%
	Bulk earthworks	—	—	—	—	125,091	125,091	100%	0%	0%	0%	0%
	Sub-total	60,890	15,891	10,631	7,218	439,646	622,626	33.2%	19.7%	23.8%	19.0%	4.3%
Water supply network	Water supply network	14,586	4,060	3,355	3,747	225,399	345,161	11%	52%	25%	9%	3%
	Sub-total	14,586	4,060	3,355	3,747	225,399	345,161	11.0%	52.0%	25.0%	9.0%	3.0%
Sewerage network	Sewerage network	9,065	2,477	2,329	2,148	144,351	221,191	20%	43%	26%	10%	1%
	Sub-total	9,065	2,477	2,329	2,148	144,351	221,191	20.0%	43.0%	26.0%	10.0%	1.0%

Bathurst Regional Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	1,900	180	1,433	578	124,103	165,884	0%	0%	0%	0%	100%
	Sub-total	1,900	180	1,433	578	124,103	165,884	0.0%	0.0%	0.0%	0.0%	100.0%
Open space/recreational assets	Swimming pools	–	–	–	658	12,335	13,836	100%	0%	0%	0%	0%
	Sub-total	–	–	–	658	12,335	13,836	100.0%	0.0%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	96,635	28,806	19,628	15,995	1,090,976	1,571,888	26.3%	28.5%	20.2%	11.8%	13.3%

Notes:

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

Bathurst Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	9,309	44.18%	60.16%	47.65%	>= 100%
Depreciation, amortisation and impairment	21,070				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	96,635	8.86%	8.00%	9.89%	< 2.00%
Net carrying amount of infrastructure assets	1,090,976				
3. Asset maintenance ratio					
Actual asset maintenance	15,995	81.49%	158.78%	51.74%	> 100%
Required asset maintenance	19,628				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	28,806	1.83%	0.72%	3.67%	
Gross replacement cost	1,571,888				

Notes

* All asset performance indicators are calculated using the asset 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.

Bathurst Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	50.42%	78.21%	47.11%	24.78%	12.29%	15.36%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	10.12%	9.34%	6.47%	5.89%	6.28%	5.68%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	72.43%	121.31%	111.68%	271.07%	92.23%	208.61%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	2.21%	1.11%	1.18%	0.07%	1.12%	0.02%	
Gross replacement cost							

Notes

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

⁽²⁾ Excludes Work In Progress (WIP)

⁽³⁾ 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.

