

# Bathurst Regional Council

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

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*A vibrant regional centre that enjoys a rural lifestyle . . . . . A  
Region full of community spirit and shared prosperity.*





# Bathurst Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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*A vibrant regional centre that enjoys a rural lifestyle . . . . . A  
Region full of community spirit and shared prosperity.*



# General Purpose Financial Statements

for the year ended 30 June 2019

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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](http://www.bathurst.nsw.gov.au).

## General Purpose Financial Statements

for the year ended 30 June 2019

## Understanding Council's Financial Statements

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### Introduction

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

### What you will find in the Statements

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

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

### About the Councillor/Management Statement

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

### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

#### 1. The Income Statement

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

#### 2. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

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

#### 4. The Statement of Changes in Equity

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

#### 5. The Statement of Cash Flows

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

1. an opinion 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.

## Bathurst Regional Council

### General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 18 September 2019.



Robert Bourke  
Mayor  
18 September 2019



Ian North  
Deputy Mayor  
18 September 2019



David Sherley  
General Manager  
18 September 2019



Aaron Jones  
Responsible Accounting Officer  
18 September 2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 <sup>1</sup>
<b>Income from continuing operations</b>				
<u>Revenue:</u>				
45,127	Rates and annual charges	3a	44,355	42,328
27,678	User charges and fees	3b	24,308	29,144
2,833	Interest and investment revenue	3c	2,568	2,584
4,722	Other revenues	3d	4,961	5,210
11,575	Grants and contributions provided for operating purposes	3e,3f	12,126	12,990
33,009	Grants and contributions provided for capital purposes	3e,3f	23,254	21,285
<u>Other income:</u>				
28,451	Net gains from the disposal of assets	5	1,675	3,881
–	Fair value increment on investment properties	10	239	2,679
153,395	<b>Total income from continuing operations</b>		<b>113,486</b>	<b>120,101</b>
<b>Expenses from continuing operations</b>				
29,392	Employee benefits and on-costs	4a	32,828	30,212
1,399	Borrowing costs	4b	1,315	1,254
37,306	Materials and contracts	4c	30,551	32,034
25,815	Depreciation and amortisation	4d	25,854	24,497
11,176	Other expenses	4e	11,337	10,643
105,088	<b>Total expenses from continuing operations</b>		<b>101,885</b>	<b>98,640</b>
48,307	<b>Operating result from continuing operations</b>		<b>11,601</b>	<b>21,461</b>
48,307	<b>Net operating result for the year</b>		<b>11,601</b>	<b>21,461</b>
48,307	Net operating result attributable to council		11,601	21,461
15,298	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(11,653)</b>	<b>176</b>

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>11,601</b>	<b>21,461</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	5,798	54,638
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>5,798</b>	<b>54,638</b>
<b>Total other comprehensive income for the year</b>		<b>5,798</b>	<b>54,638</b>
<b>Total comprehensive income for the year</b>		<b>17,399</b>	<b>76,099</b>
Total comprehensive income attributable to Council		17,399	76,099

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

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



# Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	6,768	12,077
Investments	6(b)	53,500	55,300
Receivables	7	9,318	10,523
Inventories	8a	8,088	4,357
Other	8b	913	817
<b>Total current assets</b>		<b>78,587</b>	<b>83,074</b>
<b>Non-current assets</b>			
Investments	6(b)	25,680	28,580
Receivables	7	538	614
Inventories	8a	11,545	9,474
Infrastructure, property, plant and equipment	9(a)	1,298,870	1,269,937
Investment property	10a	15,567	14,966
<b>Total non-current assets</b>		<b>1,352,200</b>	<b>1,323,571</b>
<b>TOTAL ASSETS</b>		<b>1,430,787</b>	<b>1,406,645</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	7,874	7,613
Income received in advance	11	1,529	1,233
Borrowings	11	5,323	4,949
Provisions	12	11,569	10,415
<b>Total current liabilities</b>		<b>26,295</b>	<b>24,210</b>
<b>Non-current liabilities</b>			
Payables	11	1,038	1,053
Borrowings	11	31,184	26,547
Provisions	12	1,624	1,588
<b>Total non-current liabilities</b>		<b>33,846</b>	<b>29,188</b>
<b>TOTAL LIABILITIES</b>		<b>60,141</b>	<b>53,398</b>
<b>Net assets</b>		<b>1,370,646</b>	<b>1,353,247</b>
<b>EQUITY</b>			
Accumulated surplus	13	690,747	679,146
Revaluation reserves	13	679,899	674,101
<b>Council equity interest</b>		<b>1,370,646</b>	<b>1,353,247</b>
<b>Total equity</b>		<b>1,370,646</b>	<b>1,353,247</b>

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

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

# Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 <sup>1</sup>		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		679,146	674,101	1,353,247	657,685	619,463	1,277,148
Net operating result for the year		11,601	–	11,601	21,461	–	21,461
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9(a)	–	5,798	5,798	–	54,638	54,638
<b>Other comprehensive income</b>		–	5,798	5,798	–	54,638	54,638
<b>Total comprehensive income</b>		11,601	5,798	17,399	21,461	54,638	76,099
<b>Equity – balance at end of the reporting period</b>		690,747	679,899	1,370,646	679,146	674,101	1,353,247

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

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

## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<u>Receipts</u>				
46,719	Rates and annual charges		44,190	41,457
29,272	User charges and fees		26,217	29,260
2,880	Investment and interest revenue received		2,721	2,428
76,074	Grants and contributions		28,873	28,639
–	Bonds, deposits and retention amounts received		970	822
4,392	Other		12,049	9,410
<u>Payments</u>				
(30,145)	Employee benefits and on-costs		(31,864)	(30,582)
(36,128)	Materials and contracts		(34,654)	(34,259)
(1,404)	Borrowing costs		(1,275)	(1,233)
–	Bonds, deposits and retention amounts refunded		–	(898)
(11,000)	Other		(16,149)	(14,264)
80,660	<b>Net cash provided (or used in) operating activities</b>	14b	31,078	30,780
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
–	Sale of investment securities		174,000	87,000
20,715	Sale of real estate assets		1,342	4,096
–	Sale of infrastructure, property, plant and equipment		1,087	1,234
–	Deferred debtors receipts		69	48
<u>Payments</u>				
–	Purchase of investment securities		(169,300)	(84,380)
–	Purchase of investment property		(362)	(1,291)
(95,248)	Purchase of infrastructure, property, plant and equipment		(42,345)	(33,507)
(4,000)	Purchase of real estate assets		(5,889)	(1,794)
(78,533)	<b>Net cash provided (or used in) investing activities</b>		(41,398)	(28,594)
<b>Cash flows from financing activities</b>				
<u>Receipts</u>				
6,650	Proceeds from borrowings and advances		9,960	8,525
<u>Payments</u>				
(5,189)	Repayment of borrowings and advances		(4,949)	(4,041)
1,461	<b>Net cash flow provided (used in) financing activities</b>		5,011	4,484
3,588	<b>Net increase/(decrease) in cash and cash equivalents</b>		(5,309)	6,670
877	Plus: cash and cash equivalents – beginning of year	14a	12,077	5,407
4,465	<b>Cash and cash equivalents – end of the year</b>	14a	6,768	12,077
Additional Information:				
85,500	plus: Investments on hand – end of year	6(b)	79,180	83,880
89,965	<b>Total cash, cash equivalents and investments</b>		85,948	95,957

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 18 September 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

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

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

and are clearly marked.

#### (a) New and amended standards adopted by Council

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

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

#### (b) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of 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

- (i) Impairment of receivables

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

##### (b) The Trust Fund

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

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

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

#### Goods and Services Tax (GST)

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

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

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

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

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

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

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

##### AASB 16 Leases

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

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

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases. Council currently only has approximately \$6,000 in low-value leases and to simplify collection of data Council has included these in other remaining lease commitments.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$547,420 - refer Note 16c.

Of these commitments, approximately \$84,119 relate to short-term leases and \$0 to low value leases.

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

For the remaining operating lease commitments of \$463,301, Council anticipates it will recognise lease liabilities (on its balance sheet) of \$450,885 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totaling \$450,885 on 1 July 2019.

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net assets (as at 1 July 2019) will be approximately \$0 lower while net current assets will be \$370,183 lower due to the presentation of a portion of the lease liability as a current liability.

From a financial performance standpoint, Council expects that net operating result will decrease by approximately \$16,094 for the 19/20 financial year as a result of adopting the standard.

Operating cash flows will increase and financing cash flows decrease by approximately \$354,089 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

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

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

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

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

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

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

Adoption of this standard will result in \$164,918 previously recognised in the 2018/2019 financial year as grant income to be recognised as income in the 2019/2020 financial year.

#### **AASB 1058 Income of NFP Entities**

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

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

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

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

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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- (d) a financial instrument, or
- (e) a provision.

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

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

Adoption of this standard will result in approximately \$7 million previously recognised in the 2018/2019 financial year as grant income to be recognised as income in the 2019/2020 financial year.

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

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

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

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

Council has identified approximately \$55,000 of right-of-use land and building assets arising under leases with significantly below market terms and conditions, with lease periods of up to 58 years remaining. These right-of-use leases include land and buildings for Rural Fire Service stations, water and sewer pipes, levee banks and cultural facilities. While it is expected these leases will continue indefinitely, none of these leases have a material impact on Council.

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

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



## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Functions or activities</b>										
Governance	233	–	4,073	2,438	(3,840)	(2,438)	–	59	83	77
Administration	463	3,972	14,303	13,434	(13,840)	(9,462)	–	97	56,131	60,359
Public order and safety	691	612	2,000	1,841	(1,309)	(1,229)	280	232	7,378	5,383
Environment	12,404	13,078	9,673	9,840	2,731	3,238	275	566	184,753	184,850
Community services and education	5,417	2,868	4,362	2,793	1,055	75	2,295	1,903	11,649	5,763
Housing and community amenities	159	252	3,328	2,843	(3,169)	(2,591)	120	228	5,305	4,473
Water supplies	17,206	19,955	12,992	12,730	4,214	7,225	–	109	267,182	260,418
Sewerage services	15,636	15,651	8,591	8,935	7,045	6,716	–	106	185,507	179,349
Recreation and culture	10,804	7,672	16,587	17,565	(5,783)	(9,893)	4,796	3,326	212,578	210,068
Mining, manufacturing and construction	934	969	1,272	1,384	(338)	(415)	–	–	222	216
Transport and communication	12,044	13,760	19,086	19,394	(7,042)	(5,634)	3,650	2,272	484,696	481,607
Economic affairs	4,622	8,662	5,618	5,443	(996)	3,219	415	20	15,303	14,082
General Purpose Revenues	32,873	32,650	–	–	32,873	32,650	5,410	6,724	–	–
<b>Total functions and activities</b>	<b>113,486</b>	<b>120,101</b>	<b>101,885</b>	<b>98,640</b>	<b>11,601</b>	<b>21,461</b>	<b>17,241</b>	<b>15,642</b>	<b>1,430,787</b>	<b>1,406,645</b>

**Notes to the Financial Statements**

for the year ended 30 June 2019

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

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

**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 aerodromes.

**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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	18,058	17,442
Farmland	2,069	2,015
Mining	10	10
Business	5,537	5,207
Less: pensioner rebates (mandatory)	(654)	(641)
<b>Rates levied to ratepayers</b>	<b>25,020</b>	<b>24,033</b>
Pensioner rate subsidies received	360	353
<b>Total ordinary rates</b>	<b>25,380</b>	<b>24,386</b>
<b>Annual charges</b>		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	5,756	5,414
Water supply services	3,235	3,197
Sewerage services	9,440	8,838
Waste management services (non-domestic)	839	806
Section 611 charges	46	43
Less: pensioner rebates (mandatory)	(417)	(408)
Less: pensioner rebates (Council policy)	(153)	(173)
<b>Annual charges levied</b>	<b>18,746</b>	<b>17,717</b>
Pensioner subsidies received:		
– Water	111	109
– Sewerage	108	106
– Domestic waste management	10	10
<b>Total annual charges</b>	<b>18,975</b>	<b>17,942</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>44,355</b>	<b>42,328</b>

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

**Accounting policy for rates and charges**

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Water supply services	10,480	12,986
Sewerage services	1,636	1,784
Waste management services (non-domestic)	3,165	3,287
<b>Total specific user charges</b>	<b>15,281</b>	<b>18,057</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	1,239	1,301
Private works – section 67	101	421
Section 603 certificates	87	100
<b>Total fees and charges – statutory/regulatory</b>	<b>1,427</b>	<b>1,822</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Advertising	99	92
Aerodrome	301	307
Art gallery	11	5
Cemeteries	9	30
Chifley home	8	10
Child care	780	960
Entertainment centre	606	538
Library and art gallery	29	24
Mount panorama	2,521	2,404
National motor racing museum	352	316
RMS (formerly RTA) charges (state roads not controlled by Council)	1,129	2,799
Sewerage	559	793
Tourism	859	639
Water	253	278
Other	84	70
<b>Total fees and charges – other</b>	<b>7,600</b>	<b>9,265</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>24,308</b>	<b>29,144</b>

**Accounting policy for user charges and fees**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	194	177
– Cash and investments	2,374	2,407
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>2,568</b>	<b>2,584</b>

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

Overdue rates and annual charges (general fund)	194	177
General Council cash and investments	1,600	1,716

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11	142	184
– Section 64	192	229
Water fund operations	144	97
Sewerage fund operations	274	161
Domestic waste management operations	22	20
<b>Total interest and investment revenue</b>	<b>2,568</b>	<b>2,584</b>

**Accounting policy for interest and investment revenue**

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

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

\$ '000	Notes	2019	2018
<b>(d) Other revenues</b>			
Rental income – investment property	10	956	786
Rental income – other council properties		1,209	1,009
Fines		57	60
Fines – parking		320	265
Legal fees recovery – rates and charges (extra charges)		–	1
Legal fees recovery – other		9	51
Commissions and agency fees		83	70
Diesel rebate		363	97
Insurance claims recoveries		8	36
Recycling income (non-domestic)		111	71
Legal fees recovery – Adrenaline Pty Ltd		–	718
Insurance rebates		190	185
Mount panorama		863	936
Recovery of Lehman Brothers investment		33	37
Other		361	227
Sales – miscellaneous		398	661
<b>TOTAL OTHER REVENUE</b>		<b>4,961</b>	<b>5,210</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

**Accounting policy for other revenue**

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

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

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

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

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance	3,143	3,148	—	—
<b>Payment in advance - future year allocation</b>				
Financial assistance	3,259	3,223	—	—
<b>Total general purpose</b>	<b>6,402</b>	<b>6,371</b>	<b>—</b>	<b>—</b>
<b>Specific purpose</b>				
Bushfire and emergency services	280	232	—	—
Community care	2,295	1,845	130	58
Community centres	—	3	50	100
Economic development	54	45	59	—
Environmental programs	214	56	2	—
Heritage and cultural	332	322	1,040	—
LIRS subsidy	50	59	—	—
Recreation and culture	69	72	977	399
Storm/flood damage	—	—	—	500
Street lighting	108	108	—	—
Transport (roads to recovery)	900	2,752	—	—
Transport (other roads and bridges funding)	75	72	36	36
Mount Panorama	—	—	2,500	2,533
Strategic planning	11	17	—	—
Transport (aerodrome)	—	—	1,598	62
Waste management	59	—	—	—
<b>Total specific purpose</b>	<b>4,447</b>	<b>5,583</b>	<b>6,392</b>	<b>3,688</b>
<b>Total grants</b>	<b>10,849</b>	<b>11,954</b>	<b>6,392</b>	<b>3,688</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	8,515	10,906	879	62
– State funding	2,185	934	5,511	3,626
– Other funding	149	114	2	—
	<b>10,849</b>	<b>11,954</b>	<b>6,392</b>	<b>3,688</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	5,020	1,265
S 64 – water supply contributions		–	–	2,169	2,656
S 64 – sewerage service contributions		–	–	2,095	2,646
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>9,284</b>	<b>6,567</b>
<b>Non-cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	42	–
<b>Total developer contributions non-cash</b>		<b>–</b>	<b>–</b>	<b>42</b>	<b>–</b>
<b>Total developer contributions</b>	22	<b>–</b>	<b>–</b>	<b>9,326</b>	<b>6,567</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Bushfire services		–	–	–	11
Heritage/cultural		3	10	–	213
Other councils – joint works/services		169	204	–	–
Recreation and culture		–	–	249	11
Roads and bridges		–	–	–	(19)
RMS contributions (regional roads, block grant)		1,080	784	–	2,000
Sewerage (excl. section 64 contributions)		–	–	3	1,398
Water supplies (excl. section 64 contributions)		–	–	–	836
Other		25	36	–	–
Art gallery		–	–	16	87
NSW Treasury – FESL implementation		–	2	–	–
<b>Total other contributions – cash</b>		<b>1,277</b>	<b>1,036</b>	<b>268</b>	<b>4,537</b>
<b>Non-cash contributions</b>					
Dedications – subdivisions (other than by s7.11)		–	–	7,130	6,493
Heritage/cultural		–	–	138	–
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>7,268</b>	<b>6,493</b>
<b>Total other contributions</b>		<b>1,277</b>	<b>1,036</b>	<b>7,536</b>	<b>11,030</b>
<b>Total contributions</b>		<b>1,277</b>	<b>1,036</b>	<b>16,862</b>	<b>17,597</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>12,126</b>	<b>12,990</b>	<b>23,254</b>	<b>21,285</b>

**Accounting policy for grants and contributions**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

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

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

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

\$ '000	2019	2018
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## (g) Unspent grants and contributions

**Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

**Capital grants**

Unexpended at the close of the previous reporting period	10,172	4,973
<b>Add:</b> capital grants recognised in the current period but not yet spent	1,860	9,451
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(7,087)	(4,252)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>4,945</b>	<b>10,172</b>

**Contributions**

Unexpended at the close of the previous reporting period	40,714	33,671
<b>Add:</b> contributions recognised in the current period but not yet spent	9,710	10,990
<b>Less:</b> contributions recognised in a previous reporting period now spent	(4,800)	(3,947)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>45,624</b>	<b>40,714</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	23,099	21,824
Travel expenses	617	649
Employee leave entitlements (ELE)	4,780	3,702
Superannuation	2,969	2,861
Workers' compensation insurance	878	637
Fringe benefit tax (FBT)	187	153
Payroll tax	293	289
Training costs (other than salaries and wages)	212	224
Protective clothing	5	–
Other	76	80
<b>Total employee costs</b>	<b>33,116</b>	<b>30,419</b>
Less: capitalised costs	(288)	(207)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>32,828</b>	<b>30,212</b>
Number of 'full-time equivalent' employees (FTE) at year end	375	378

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

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

\$ '000	Notes	2019	2018
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		1,286	1,232
<b>Total interest bearing liability costs expensed</b>		<b>1,286</b>	<b>1,232</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	12	29	22
<b>Total other borrowing costs</b>		<b>29</b>	<b>22</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>1,315</b>	<b>1,254</b>

**Accounting policy for borrowing costs**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	26,414	28,311
Contractor and consultancy costs	1,843	1,582
Auditors remuneration <sup>2</sup>	181	135
<b>Legal expenses:</b>		
– Legal expenses: planning and development	14	31
– Legal expenses: debt recovery	102	114
– Legal expenses: other	210	250
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	620	571
Recycling services	1,167	1,040
<b>Total materials and contracts</b>	<b>30,551</b>	<b>32,034</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>30,551</b>	<b>32,034</b>

**Accounting policy for operating leases**

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

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

Computers & associated peripherals	617	571
Other	3	–
	<b>620</b>	<b>571</b>

**2. Auditor remuneration**

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

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

Audit and review of financial statements	74	76
<b>Remuneration for audit and other assurance services</b>	<b>74</b>	<b>76</b>
<b>Total Auditor-General remuneration</b>	<b>74</b>	<b>76</b>

**Non NSW Auditor-General audit firms****(ii) Non-assurance services**

Internal audit	107	59
<b>Remuneration for non-assurance services</b>	<b>107</b>	<b>59</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>107</b>	<b>59</b>
<b>Total Auditor remuneration</b>	<b>181</b>	<b>135</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
<b>Depreciation and amortisation</b>			
Plant and equipment		2,588	2,368
Office equipment		282	274
Furniture and fittings		99	21
Land improvements (depreciable)		451	402
<b>Infrastructure:</b>			
– Buildings		1,671	1,542
– Buildings – Leasehold Improvements		2	–
– Other structures		823	691
– Roads		9,562	9,434
– Bridges		422	422
– Footpaths		190	181
– Stormwater drainage		1,732	1,665
– Water supply network		4,221	3,889
– Sewerage network		3,225	3,109
– Swimming pools		145	137
<b>Other assets:</b>			
– Other		420	341
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	9(a), 12	21	21
<b>Total depreciation and amortisation costs</b>		<b>25,854</b>	<b>24,497</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>		<b>25,854</b>	<b>24,497</b>

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

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

**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.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Advertising	1,288	975
Bad and doubtful debts	17	21
Bank charges	142	143
Cleaning	580	560
Contributions/levies to other levels of government		
– NSW fire brigade levy	404	398
– NSW rural fire service levy	381	384
– Waste levy	58	65
– EPA payment for Sewerage Treatment	37	26
Councillor expenses – mayoral fee	43	42
Councillor expenses – councillors' fees	178	164
Councillors' expenses (incl. mayor) – other (excluding fees above)	38	40
Donations, contributions and assistance to other organisations (Section 356)		
– Donations, contributions and assistance	267	164
– Footpath and gutter maintenance	106	140
– Somerville collection	111	220
Election expenses	–	236
Electricity and heating	2,596	2,474
Fire control expenses	2	3
Insurance	1,235	1,154
Office expenses (including computer expenses)	42	50
Postage	169	158
Printing and stationery	235	332
Street lighting	1,435	1,176
Subscriptions and publications	974	800
Telephone and communications	597	525
Upper Macquarie County Council (Noxious Weeds)	223	218
Valuation fees	179	132
Other	–	43
<b>TOTAL OTHER EXPENSES</b>	<b>11,337</b>	<b>10,643</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		–	487
Less: carrying amount of property assets sold/written off		(370)	(597)
<b>Net gain/(loss) on disposal</b>		<b>(370)</b>	<b>(110)</b>
<b>Plant and equipment</b>			
	9(a)		
Proceeds from disposal – plant and equipment		1,082	747
Less: carrying amount of plant and equipment assets sold/written off		(296)	(394)
<b>Net gain/(loss) on disposal</b>		<b>786</b>	<b>353</b>
<b>Infrastructure</b>			
	9(a)		
Proceeds from disposal – infrastructure		5	–
<b>Net gain/(loss) on disposal</b>		<b>5</b>	<b>–</b>
<b>Real estate assets held for sale</b>			
	8		
Proceeds from disposal – real estate assets		1,342	4,096
Less: carrying amount of real estate assets sold/written off		(88)	(458)
<b>Net gain/(loss) on disposal</b>		<b>1,254</b>	<b>3,638</b>
<b>Investments</b>			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		87,000	87,000
Less: carrying amount of investments sold/redeemed/matured		(87,000)	(87,000)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>1,675</b>	<b>3,881</b>

**Accounting policy for disposal of assets**

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

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

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

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	6,768	12,077
<b>Total cash and cash equivalents</b>	<b>6,768</b>	<b>12,077</b>

**Accounting policy for cash and cash equivalents**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
'Financial assets at amortised cost' / 'held to maturity' (2018)	53,500	25,680	55,300	28,580
<b>Total Investments</b>	<b>53,500</b>	<b>25,680</b>	<b>55,300</b>	<b>28,580</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>60,268</b>	<b>25,680</b>	<b>67,377</b>	<b>28,580</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	46,500	12,630	49,500	12,830
NCD's, FRN's (with maturities > 3 months)	7,000	13,050	5,800	15,750
<b>Total</b>	<b>53,500</b>	<b>25,680</b>	<b>55,300</b>	<b>28,580</b>

## Accounting policy for investments

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

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

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

## Financial assets

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

## Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

## Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

## Fair value through other comprehensive income – equity instruments

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

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

##### **Classification**

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

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

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

##### **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.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	60,268	25,680	67,377	28,580
<b>attributable to:</b>				
External restrictions	60,267	25,680	61,095	28,580
Internal restrictions	–	–	6,240	–
Unrestricted	1	–	42	–
	60,268	25,680	67,377	28,580

\$ '000	2019	2018
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## Details of restrictions

## External restrictions – included in liabilities

Specific purpose unexpended loans – general	–	6,781
Specific purpose unexpended loans – water	6,476	4,793
<b>External restrictions – included in liabilities</b>	<b>6,476</b>	<b>11,574</b>

## External restrictions – other

Developer contributions – general	19,888	19,168
Developer contributions – water fund	7,667	5,726
Developer contributions – sewer fund	18,069	15,820
Specific purpose unexpended grants	4,905	10,165
Specific purpose unexpended grants-water fund	7	7
Specific purpose unexpended grants-sewer fund	33	–
Water supplies	12,581	11,697
Sewerage services	15,253	14,072
Domestic waste management	1,068	1,446

## External restrictions – other

<b>External restrictions – other</b>	<b>79,471</b>	<b>78,101</b>
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## Total external restrictions

<b>Total external restrictions</b>	<b>85,947</b>	<b>89,675</b>
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## Internal restrictions

Employees leave entitlement	–	138
Aerodrome	–	51
Administration	–	91
Carry over works	–	865
Cultural and community services	–	232
Environmental	–	9
Plant and vehicle replacement	–	1,351
SES plant	–	22
Solid waste depot general reserve	–	1,503
Strategic planning	–	25
Waste employee leave entitlements	–	89
Waste management	–	1,864

## Total internal restrictions

<b>Total internal restrictions</b>	<b>–</b>	<b>6,240</b>
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## TOTAL RESTRICTIONS

<b>TOTAL RESTRICTIONS</b>	<b>85,947</b>	<b>95,915</b>
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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates and annual charges	1,797	157	1,628	161
Interest and extra charges	989	–	948	–
User charges and fees	3,568	–	4,561	–
Accrued revenues				
– Interest on investments	256	–	450	–
– Other income accruals	328	–	371	–
Deferred debtors	46	381	43	453
Government grants and subsidies	733	–	233	–
Net GST receivable	436	–	262	–
Sundry debtors	1,223	–	2,065	–
Other debtors	–	–	5	–
<b>Total</b>	<b>9,376</b>	<b>538</b>	<b>10,566</b>	<b>614</b>
<b>Less: provision of impairment</b>				
User charges and fees	(32)	–	(23)	–
Other debtors	(26)	–	(20)	–
<b>Total provision for impairment – receivables</b>	<b>(58)</b>	<b>–</b>	<b>(43)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>9,318</b>	<b>538</b>	<b>10,523</b>	<b>614</b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Specific purpose grants	3	–	3	–
– Rates and availability charges	173	44	156	54
– Other	3,237	–	4,172	–
<b>Sewerage services</b>				
– Specific purpose grants	3	–	3	–
– Rates and availability charges	572	33	546	33
– Other	379	–	466	–
<b>Total external restrictions</b>	<b>4,367</b>	<b>77</b>	<b>5,346</b>	<b>87</b>
<b>Unrestricted receivables</b>	<b>4,951</b>	<b>461</b>	<b>5,177</b>	<b>527</b>
<b>TOTAL NET RECEIVABLES</b>	<b>9,318</b>	<b>538</b>	<b>10,523</b>	<b>614</b>

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	43	26
+ new provisions recognised during the year	32	38
– amounts already provided for and written off this year	(17)	(21)
<b>Balance at the end of the period</b>	<b>58</b>	<b>43</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings whichever occurs first. None of the receivables that have been written off are subject to enforcement activity.

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

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

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

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

Rates and annual charges outstanding are secured against the property.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	7,237	11,545	3,507	9,474
Stores and materials	614	—	592	—
Trading stock	237	—	258	—
<b>Total inventories at cost</b>	<b>8,088</b>	<b>11,545</b>	<b>4,357</b>	<b>9,474</b>
<b>TOTAL INVENTORIES</b>	<b>8,088</b>	<b>11,545</b>	<b>4,357</b>	<b>9,474</b>

## (b) Other assets

Prepayments	913	—	817	—
<b>TOTAL OTHER ASSETS</b>	<b>913</b>	<b>—</b>	<b>817</b>	<b>—</b>

## Externally restricted assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Water</b>				
Prepayments	44	—	—	—
<b>Total water</b>	<b>44</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Sewerage</b>				
Prepayments	4	—	—	—
<b>Total sewerage</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>—</b>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Total externally restricted assets</b>	<b>48</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total internally restricted assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total unrestricted assets</b>	<b>8,953</b>	<b>11,545</b>	<b>5,174</b>	<b>9,474</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>9,001</b>	<b>11,545</b>	<b>5,174</b>	<b>9,474</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

## (i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Details for real estate development</b>					
Residential		6,276	2,382	2,859	4,724
Industrial/commercial		961	9,163	648	4,750
<b>Total real estate for resale</b>		<b>7,237</b>	<b>11,545</b>	<b>3,507</b>	<b>9,474</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		4,971	11,545	2,701	9,474
Development costs		2,266	–	806	–
<b>Total costs</b>		<b>7,237</b>	<b>11,545</b>	<b>3,507</b>	<b>9,474</b>
<b>Total real estate for resale</b>		<b>7,237</b>	<b>11,545</b>	<b>3,507</b>	<b>9,474</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		3,507	9,474	1,091	10,554
– Purchases and other costs		2,266	3,623	806	988
– WDV of sales (expense)	5	(88)	–	(458)	–
– Transfer between current/non-current		1,552	(1,552)	2,068	(2,068)
<b>Total real estate for resale</b>		<b>7,237</b>	<b>11,545</b>	<b>3,507</b>	<b>9,474</b>

## Accounting policy for inventories and other assets

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

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

## Inventory held for distribution

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

## Land held for resale/capitalisation of borrowing costs

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	as at 30/6/2018			Asset movements during the reporting period					as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>(1)</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Plant and equipment	26,676	(15,839)	10,837	4,076	15	(296)	(2,588)	–	27,667	(15,623)	12,044
Office equipment	2,004	(1,225)	779	142	236	–	(282)	–	2,339	(1,464)	875
Furniture and fittings	1,758	(1,064)	694	114	203	–	(99)	–	2,067	(1,155)	912
<b>Land:</b>											
– Operational land	100,589	–	100,589	–	2,351	–	–	–	102,940	–	102,940
– Community land	17,542	–	17,542	–	–	–	–	–	17,542	–	17,542
– Land under roads (post 30/6/08)	690	–	690	–	798	–	–	–	1,488	–	1,488
Land improvements – depreciable	23,475	(4,537)	18,938	–	870	–	(451)	–	24,345	(4,988)	19,357
<b>Infrastructure:</b>											
– Buildings	180,613	(51,112)	129,501	1,378	2,840	(370)	(1,671)	–	187,470	(55,792)	131,678
– Buildings – leasehold improvements	194	–	194	–	1,835	–	(2)	–	2,029	(2)	2,027
– Other structures	22,383	(6,936)	15,447	1,207	1,250	–	(823)	–	24,841	(7,760)	17,081
– Roads	443,672	(161,162)	282,510	5,087	9,956	–	(9,562)	–	458,715	(170,724)	287,991
– Bridges	38,485	(16,427)	22,058	–	–	–	(422)	–	38,485	(16,849)	21,636
– Footpaths	15,378	(5,391)	9,987	–	370	–	(190)	–	15,748	(5,581)	10,167
– Bulk earthworks (non-depreciable)	125,091	–	125,091	2,276	1,702	–	–	–	129,069	–	129,069
– Stormwater drainage	165,884	(41,781)	124,103	588	3,275	–	(1,732)	–	169,748	(43,514)	126,234
– Water supply network	345,161	(119,762)	225,399	1,481	2,769	–	(4,221)	3,538	354,932	(125,966)	228,966
– Sewerage network	221,191	(76,840)	144,351	453	3,958	–	(3,225)	2,260	229,142	(81,345)	147,797
– Swimming pools	13,836	(1,501)	12,335	–	–	–	(145)	–	13,836	(1,646)	12,190
<b>Other assets:</b>											
– Other	40,178	(12,659)	27,519	53	372	–	(420)	–	40,603	(13,079)	27,524
<b>Reinstatement, rehabilitation and restoration assets (refer Note 12):</b>											
– Tip assets	1,434	(61)	1,373	–	–	–	(21)	–	1,434	(82)	1,352
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,786,234</b>	<b>(516,297)</b>	<b>1,269,937</b>	<b>16,855</b>	<b>32,800</b>	<b>(666)</b>	<b>(25,854)</b>	<b>5,798</b>	<b>1,844,440</b>	<b>(545,570)</b>	<b>1,298,870</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	as at 30/6/2017			Asset movements during the reporting period					as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>(1)</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	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
<b>Land:</b>											
– 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
<b>Infrastructure:</b>											
– Buildings – non-specialised	138,173	(26,299)	111,874	677	2,761	(399)	(1,542)	16,130	180,613	(51,112)	129,501
– Buildings – specialised	–	–	–	–	–	–	–	–	194	–	194
– 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
– Buildings – leasehold improvements	–	–	–	–	194	–	–	–	–	–	–
<b>Other assets:</b>											
– Other	39,804	(12,313)	27,491	–	369	–	(570)	–	40,178	(12,659)	27,519
<b>Reinstatement, rehabilitation and restoration assets (refer Note 12):</b>											
– Tip assets	1,434	(40)	1,394	–	–	–	(21)	–	1,434	(61)	1,373
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,667,157</b>	<b>(468,604)</b>	<b>1,198,553</b>	<b>13,836</b>	<b>28,398</b>	<b>(991)</b>	<b>(24,497)</b>	<b>54,638</b>	<b>1,786,234</b>	<b>(516,297)</b>	<b>1,269,937</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Infrastructure, property, plant and equipment are held at fair value. Independent 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 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:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
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		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
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	80		

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.

**Land under roads**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

**Crown reserves**

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

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

**Rural Fire Service assets**

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

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.

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

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
Plant and equipment	1,759	1,313	446	1,617	1,026	591
Office equipment	70	40	30	60	23	37
Land						
– Operational land	4,679	–	4,679	4,679	–	4,679
– Community land	165	–	165	165	–	165
– Improvements – depreciable	1,076	202	874	1,075	185	890
Buildings	11,926	574	11,352	11,761	549	11,212
Other structures	480	142	338	480	126	354
Infrastructure	354,932	125,966	228,966	345,161	119,762	225,399
<b>Total water supply</b>	<b>375,087</b>	<b>128,237</b>	<b>246,850</b>	<b>364,998</b>	<b>121,671</b>	<b>243,327</b>
<b>Sewerage services</b>						
Plant and equipment	998	579	419	941	607	334
Land						
– Operational land	1,597	–	1,597	1,597	–	1,597
– Improvements – depreciable	161	74	87	154	69	85
Buildings	3,103	124	2,979	3,093	96	2,997
Other structures	374	76	298	374	68	306
Infrastructure	229,142	81,345	147,797	221,191	76,840	144,351
<b>Total sewerage services</b>	<b>235,375</b>	<b>82,198</b>	<b>153,177</b>	<b>227,350</b>	<b>77,680</b>	<b>149,670</b>
<b>Domestic waste management</b>						
Plant and equipment	1,619	674	945	1,595	675	920
Other assets	1,054	741	313	1,001	685	316
<b>Total DWM</b>	<b>2,673</b>	<b>1,415</b>	<b>1,258</b>	<b>2,596</b>	<b>1,360</b>	<b>1,236</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>613,135</b>	<b>211,850</b>	<b>401,285</b>	<b>594,944</b>	<b>200,711</b>	<b>394,233</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Investment property

\$ '000	2019	2018
(a) Investment property at fair value		
Investment property on hand	15,567	14,966
Reconciliation of annual movement:		
Opening balance	14,966	10,996
– Acquisitions	362	1,291
– Net gain/(loss) from fair value adjustments	239	2,679
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>15,567</b>	<b>14,966</b>

## (b) Valuation basis

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

The 2018 revaluations were based on independent assessments made by: Liquid Pacific. Each year between full revaluations the fair values are indexed by the Consumer Price Index to reflect general market movements. The 2019 year's fair value adjustment is an indexed movement.

## (c) Contractual obligations at reporting date

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

## (d) Leasing arrangements – Council as lessor

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

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

Within 1 year	720	873
Later than 1 year but less than 5 years	2,079	2,269
Later than 5 years	534	764
<b>Total minimum lease payments receivable</b>	<b>3,333</b>	<b>3,906</b>

## (e) Investment property income and expenditure – summary

<b>Rental income from investment property:</b>		
– Minimum lease payments	956	786
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(326)	(425)
<b>Net revenue contribution from investment property</b>	<b>630</b>	<b>361</b>
plus:		
<b>Fair value movement for year</b>	<b>239</b>	<b>2,679</b>
<b>Total income attributable to investment property</b>	<b>869</b>	<b>3,040</b>

## Accounting policy for investment property

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Investment property (continued)

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

## Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	4,218	–	5,266	–
Accrued expenses:				
– Borrowings	33	–	23	–
– Other expenditure accruals	984	–	670	–
Security bonds, deposits and retentions	2,639	1,038	1,654	1,053
<b>Total payables</b>	<b>7,874</b>	<b>1,038</b>	<b>7,613</b>	<b>1,053</b>
<b>Income received in advance</b>				
Payments received in advance	1,529	–	1,233	–
<b>Total income received in advance</b>	<b>1,529</b>	<b>–</b>	<b>1,233</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	5,323	31,184	4,949	26,547
<b>Total borrowings</b>	<b>5,323</b>	<b>31,184</b>	<b>4,949</b>	<b>26,547</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>14,726</u></b>	<b><u>32,222</u></b>	<b><u>13,795</u></b>	<b><u>27,600</u></b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Water	430	6,102	369	4,647
Sewer	135	–	96	–
Payables and borrowings relating to externally restricted assets	565	6,102	465	4,647
<b>Total payables and borrowings relating to restricted assets</b>	<b>565</b>	<b>6,102</b>	<b>465</b>	<b>4,647</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>14,161</b>	<b>26,120</b>	<b>13,330</b>	<b>22,953</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>14,726</u></b>	<b><u>32,222</u></b>	<b><u>13,795</u></b>	<b><u>27,600</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings (continued)

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

	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	31,496	5,011	–	–	–	36,507
<b>TOTAL</b>	<b>31,496</b>	<b>5,011</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>36,507</b>

	as at 30/6/2017					as at 30/6/2018
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	27,012	4,484	–	–	–	31,496
<b>TOTAL</b>	<b>27,012</b>	<b>4,484</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>31,496</b>

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

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

Bank overdraft facilities <sup>1</sup>	650	650
Credit cards/purchase cards	115	115
<b>Total financing arrangements</b>	<b>765</b>	<b>765</b>

## Undrawn facilities as at balance date:

– Bank overdraft facilities	650	650
– Credit cards/purchase cards	115	115
<b>Total undrawn financing arrangements</b>	<b>765</b>	<b>765</b>

## Additional financing arrangements information

## Breaches and defaults

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

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

## Accounting policy for payables and borrowings

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

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

## Payables

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

## Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings (continued)

the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

## Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	3,043	–	2,913	–
Long service leave	8,389	107	7,369	114
<b>Sub-total – aggregate employee benefits</b>	<b>11,432</b>	<b>107</b>	<b>10,282</b>	<b>114</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	16	1,517	29	1,474
<b>Sub-total – asset remediation/restoration</b>	<b>16</b>	<b>1,517</b>	<b>29</b>	<b>1,474</b>
<b>Other provisions</b>				
Other	121	–	104	–
<b>Sub-total – other provisions</b>	<b>121</b>	<b>–</b>	<b>104</b>	<b>–</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>11,569</u></b>	<b><u>1,624</u></b>	<b><u>10,415</u></b>	<b><u>1,588</u></b>

## (a) Provisions relating to restricted assets

## Externally restricted assets

Water	757	6	771	2
Sewer	504	8	317	8
Provisions relating to externally restricted assets	1,261	14	1,088	10
<b>Total provisions relating to restricted assets</b>	<b>1,261</b>	<b>14</b>	<b>1,088</b>	<b>10</b>
<b>Total provisions relating to unrestricted assets</b>	<b>10,308</b>	<b>1,610</b>	<b>9,327</b>	<b>1,578</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>11,569</u></b>	<b><u>1,624</u></b>	<b><u>10,415</u></b>	<b><u>1,588</u></b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Provisions (continued)

\$ '000	2019	2018
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	8,477	8,023
	<u>8,477</u>	<u>8,023</u>

## Nature and purpose of non-employee benefit provisions

## Asset remediation

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

## Accounting policy for provisions

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

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

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

## Employee benefits

## Short-term obligations

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

## Other long-term employee benefit obligations

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

## On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods. These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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

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

## Restoration

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

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Provisions (continued)

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the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

#### **Rehabilitation**

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 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.

## Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	6,768	12,077
<b>Balance as per the Statement of Cash Flows</b>		<b>6,768</b>	<b>12,077</b>

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

<b>Net operating result from Income Statement</b>	11,601	21,461
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	25,854	24,497
Net losses/(gains) on disposal of assets	(1,675)	(3,881)
Non-cash capital grants and contributions	(7,310)	(8,727)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– investment property	(239)	(2,679)
Unwinding of discount rates on reinstatement provisions	30	22
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	1,197	(711)
Increase/(decrease) in provision for impairment of receivables	15	17
Decrease/(increase) in inventories	(1)	(74)
Decrease/(increase) in other current assets	(96)	(200)
Increase/(decrease) in payables	(1,048)	1,052
Increase/(decrease) in accrued interest payable	10	(1)
Increase/(decrease) in other accrued expenses payable	314	126
Increase/(decrease) in other liabilities	1,266	94
Increase/(decrease) in provision for employee benefits	1,143	(219)
Increase/(decrease) in other provisions	17	3
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>31,078</b>	<b>30,780</b>

**(c) Non-cash investing and financing activities**

Other dedications	7,310	8,727
<b>Total non-cash investing and financing activities</b>	<b>7,310</b>	<b>8,727</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Interests in other entities

## (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 below.

Council's consolidated financial statements also include controlled entities with ownership interest of 50% or less.

Name of Operation/Entity	Principal activity
The Somerville Collection Ltd	Australian Fossil and Mineral Museum 224 Howick Street, Bathurst

Interests in Subsidiary \$ '000	Ownership 2019	Ownership 2018	Voting rights 2019	Voting rights 2018
Council's interest in Subsidiary	0%	0%	20%	20%
Non-controlling interest in Subsidiary	100%	100%	80%	80%

**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

\$ '000	2019	2018
<b>Summarised statement of comprehensive income</b>		
Revenue	372	499
Expenses	(372)	(507)
<b>Profit for the period</b>	–	(8)
<b>Total comprehensive income</b>	–	(8)
<b>Summarised statement of financial position</b>		
Current assets	108	116
Non-current assets	209	204
<b>Total assets</b>	317	320
Current liabilities	6	6
<b>Total liabilities</b>	6	6
<b>Net assets</b>	311	314



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Interests in other entities (continued)

\$ '000	2019	2018
<b>Summarised statement of cash flows</b>		
Cash flows from operating activities	19	19
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>19</b>	<b>19</b>

**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**

County Councils as joint ventures

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.

**Accounting policy for joint arrangements**

The council has determined that it has only joint operations.

Council is only one of several Councils involved in the Joint Operation. The assets and liabilities of the joint operations are immaterial to Council's operations and are therefore not included in these Financial Statements.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Commitments

\$ '000	2019	2018
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## (a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

**Property, plant and equipment**

Buildings	3,294	1,796
Plant and equipment	409	–
Roads	–	320
Sewer	2,257	–
Stormwater Drainage	398	–
Structures	–	2
Water	2,099	309
Land	540	1,207
Other	145	–

**Investment property**

– Buildings	–	79
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**Total commitments**

<b>9,142</b>	<b>3,713</b>
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**These expenditures are payable as follows:**

Within the next year	9,142	3,713
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**Total payable**

<b>9,142</b>	<b>3,713</b>
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**Sources for funding of capital commitments:**

Unrestricted general funds	45	1,350
Future grants and contributions	1,976	1,346
Section 7.11 and 64 funds/reserves	3,199	938
Unexpended grants	2,447	–
Externally restricted reserves	1,017	–
Unexpended loans	458	79

**Total sources of funding**

<b>9,142</b>	<b>3,713</b>
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## (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	370	338
Later than one year and not later than 5 years	148	200
Later than 5 years	29	–

**Total non-cancellable operating lease commitments**

<b>547</b>	<b>538</b>
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**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.

Land and buildings.

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

– Finance agreements other than for land and buildings are secured against the leased asset.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 17. Contingencies and other assets/liabilities not recognised

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

##### *Description of the funding arrangements.*

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

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

Division B	1.9 times employee contributions; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times employee contributions

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$595,498.79. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31/12/2018, and covers the period ended 30 June 2018.

Council's expected contribution to the plan for the next annual reporting period is \$670,149.00.

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

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

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

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

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

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

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

\* Plus promotional increases

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

#### (ii) Statewide Limited

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

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

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

#### (iii) StateCover Limited

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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#### (iv) Other guarantees

Council had 2 bank guarantees at 30 June 2019 held by the Commonwealth Bank.

1. Rental bond for the premises used as the Bathurst Rail Museum for \$50,000
2. Bond for electrical work to be completed at the Sunnybright Estate subdivision for \$639,072

#### 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.

### 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 30/6/2008.

#### (ii) Infringement notices/fines

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management

## Risk management

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

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council. Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council. The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

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

Council holds investments to maturity and therefore price and interest rate risk are minimal. The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates would be immaterial. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

## (b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees. Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors. There are no material receivables that have been subjected to a re-negotiation of repayment terms.

## Credit risk profile

## Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	–	604	818	407	125	1,954
<b>2018</b>						
Gross carrying amount	–	553	749	373	114	1,789

## Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	6,752	921	92	76	119	7,960
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	49.00%	0.73%
<b>ECL provision</b>	—	—	—	—	58	58
<b>2018</b>						
Gross carrying amount	7,496	1,496	323	15	61	9,391

## (c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2019</b>							
Trade/other payables	0.00%	3,677	5,235	—	—	8,912	8,912
Loans and advances	3.75%	—	6,605	18,595	16,982	42,182	36,507
<b>Total financial liabilities</b>		<u>3,677</u>	<u>11,840</u>	<u>18,595</u>	<u>16,982</u>	<u>51,094</u>	<u>45,419</u>
<b>2018</b>							
Trade/other payables	0.00%	2,707	5,959	—	—	8,666	8,666
Loans and advances	4.16%	—	6,195	17,226	13,868	37,289	31,496
<b>Total financial liabilities</b>		<u>2,707</u>	<u>12,154</u>	<u>17,226</u>	<u>13,868</u>	<u>45,955</u>	<u>40,162</u>

Detail here any breaches to loan agreements which have occurred during the reporting year.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 20/06/2018 and is unaudited.

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

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review. Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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## REVENUES

<b>User charges and fees</b>	<b>27,678</b>	<b>24,308</b>	<b>(3,370)</b>	<b>(12)%</b>	<b>U</b>
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Due to ongoing drought conditions and predicted lack of rainfall, Council introduced water restrictions during the year which led to a marked reduction in water usage in Bathurst. Consequently budget water sales were not achieved by an amount of \$1.2 million.

Planning and Building services experienced lesser income this year, \$0.3 million, due to a small downturn in the property market in Bathurst and resultant lower demand for their services.

Bathurst Memorial Entertainment Centre's income, which is also customer driven, was reduced by \$0.2 million compared to budget and Mount Panorama fees were also down on budget by \$0.3 million.

<b>Capital grants and contributions</b>	<b>33,009</b>	<b>23,254</b>	<b>(9,755)</b>	<b>(30)%</b>	<b>U</b>
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<b>Net gains from disposal of assets</b>	<b>28,451</b>	<b>1,675</b>	<b>(26,776)</b>	<b>(94)%</b>	<b>U</b>
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Council's residential and commercial land sales have been held up over the past two years due to planning, engineering and external service providers delays. The Sunnybright Estate was supposed to be completed two years ago and during the intervening period other private land developments have satisfied demand in the market. Council expects to sell all blocks during the ensuing financial year.

## EXPENSES

<b>Employee benefits and on-costs</b>	<b>29,392</b>	<b>32,828</b>	<b>(3,436)</b>	<b>(12)%</b>	<b>U</b>
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During the year, due to the ongoing drought conditions and community expectations, Council partly changed it's focus from Capital Works to Maintenance expenditure. Consequently more wages were allocated to operating expenditure than were budgeted for. A corresponding reduction in wages expended on Capital Works was experienced. This can be seen in the reduction in "Net cash used in investing activities" shown below.

<b>Materials and contracts</b>	<b>37,306</b>	<b>30,551</b>	<b>6,755</b>	<b>18%</b>	<b>F</b>
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Consultancies for the Mount Panorama Second Circuit project were not completed during the year amounting to lesser expenditure of \$3.5 million.

Urban Roads Maintenance contracts were \$2.6 million underspent due to staff being reallocated from capital works into maintenance works, that is, expenditure was made on staff doing maintenance rather than being contracted out.

## STATEMENT OF CASH FLOWS

<b>Net cash provided from (used in) operating activities</b>	<b>80,660</b>	<b>31,078</b>	<b>(49,582)</b>	<b>(61)%</b>	<b>U</b>
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Expected grant funds were not received and delays in sales of land.

<b>Net cash provided from (used in) investing activities</b>	<b>(78,533)</b>	<b>(41,398)</b>	<b>37,135</b>	<b>(47)%</b>	<b>F</b>
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Reduced capital expenditure due to lack of capital grants as noted above.



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement

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

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

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
<b>Recurring fair value measurements</b>						
<b>Investment property</b>	10					
230 Howick Street, Bathurst		30/06/19	–	15,567	–	15,567
<b>Total investment property</b>			–	15,567	–	15,567
<b>Infrastructure, property, plant and equipment</b>						
	9(a)					
Plant and equipment		30/06/19	–	–	12,044	12,044
Office equipment		30/06/19	–	–	875	875
Furniture and fittings		30/06/19	–	–	912	912
Operational land		30/06/18	–	–	102,940	102,940
Community land		30/06/16	–	–	17,542	17,542
Land under roads (post 30/6/08)		30/06/18	–	–	1,488	1,488
Land improvements – depreciable		30/06/18	–	–	19,357	19,357
Buildings		30/06/18	–	–	131,678	131,678
Leasehold Improvements		30/06/18	–	–	2,027	2,027
Other structures		30/06/16	–	–	17,081	17,081
Roads		30/06/15	–	–	287,991	287,991
Bridges		30/06/15	–	–	21,636	21,636
Footpaths		30/06/15	–	–	10,167	10,167
Bulk earthworks (non-depreciable)		30/06/15	–	–	129,069	129,069
Stormwater drainage		30/06/15	–	–	126,234	126,234
Water supply network		30/06/19	–	–	228,966	228,966
Sewerage network		30/06/19	–	–	147,797	147,797
Swimming pools		30/06/18	–	–	12,190	12,190
Other assets		30/06/19	–	–	27,524	27,524
Tip		30/06/19	–	–	1,352	1,352
<b>Total infrastructure, property, plant and equipment</b>			–	–	1,298,870	1,298,870

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

2018	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Investment property	10					
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	9(a)	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		30/06/18	—	—	194	194
Leasehold Improvements		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

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

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

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

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

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

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

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

**Investment property**

The investment property at 230 Howick Street, Bathurst was valued by Liquid Pacific Pty Ltd, registered valuers, in June 2018. The 2019 fair value includes an indexation using the Consumer Price Index, as shown in Note 11.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement (continued)

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

##### 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 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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement (continued)

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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-annual 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.

#### 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

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.

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

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

\$ '000	Investment property (level 2)	Land and buildings (level 3)	Infrastructure assets (level 3)	Other assets (level 3)	Total
<b>2018</b>					
<b>Opening balance</b>	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	—	62,640	(7,608)	(394)	54,638
FV gains – Income Statement <sup>1</sup>	2,679	—	—	—	2,679
<b>Closing balance</b>	<b>14,966</b>	<b>282,901</b>	<b>945,834</b>	<b>41,202</b>	<b>1,284,903</b>
<b>2019</b>					
<b>Opening balance</b>	14,966	282,901	945,834	41,202	1,284,903
Purchases (GBV)	362	12,529	31,915	5,211	50,017
Disposals (WDV)	—	(370)	—	(296)	(666)
Depreciation and impairment	—	(2,947)	(19,497)	(3,410)	(25,854)
FV gains – other comprehensive income	—	—	5,798	—	5,798
FV gains – Income Statement <sup>1</sup>	239	—	—	—	239
<b>Closing balance</b>	<b>15,567</b>	<b>292,113</b>	<b>964,050</b>	<b>42,707</b>	<b>1,314,437</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

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

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
<b>b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.</b>			
<b>Investment properties</b>			
230 Howick Street, Bathurst	–	Independent Market Valuation by a registered valuer	Land value, land area
<b>Infrastructure, property, plant and equipment</b>			
Land & Buildings	–	Independent Market Valuation by a Registered Valuer	Land value, land area
Infrastructure	–	Internal Valuation	Based on actual costs and indexed where required. Estimation of remaining asset lives where infrastructure is below ground.
Other Assets	–	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 as being utilised for their highest and best use.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Related Party Transactions

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#### 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:

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>Compensation:</b>		
Short-term benefits	1,475	1,359
Post-employment benefits	163	615
<b>Total</b>	<b>1,638</b>	<b>1,974</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 22. Statement of developer contributions

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

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

### Summary of contributions and levies

	as at 30/6/2018			as at 30/6/2019				
		Contributions received during the year						
\$ '000	Opening Balance	Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Drainage	4,512	492	42	37	(136)	–	4,905	–
Roads	1,259	81	–	6	(590)	–	756	–
Traffic facilities	–	3	–	–	–	–	3	–
Parking	687	–	–	2	(501)	–	188	–
Open space	835	572	–	7	(24)	–	1,390	–
Community facilities	6,792	2,216	–	51	(1,768)	–	7,291	–
<b>S7.11 contributions – under a plan</b>	<b>14,085</b>	<b>3,364</b>	<b>42</b>	<b>103</b>	<b>(3,019)</b>	<b>–</b>	<b>14,533</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>14,085</b>	<b>3,364</b>	<b>42</b>	<b>103</b>	<b>(3,019)</b>	<b>–</b>	<b>14,533</b>	<b>–</b>
S7.11 not under plans	5,083	1,726	–	38	(1,492)	–	5,355	–
S64 contributions	21,546	4,287	–	192	(289)	–	25,736	–
<b>Total contributions</b>	<b>40,714</b>	<b>9,377</b>	<b>42</b>	<b>333</b>	<b>(4,800)</b>	<b>–</b>	<b>45,624</b>	<b>–</b>

### S7.11 Contributions – under a plan

#### CONTRIBUTION PLAN – Jordan Creek Stormwater Drainage Management

Drainage	626	13	42	5	(92)	—	552	—
<b>Total</b>	<b>626</b>	<b>13</b>	<b>42</b>	<b>5</b>	<b>(92)</b>	<b>—</b>	<b>552</b>	<b>—</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
CONTRIBUTION PLAN – Raglan Creek Stormwater Drainage								
Drainage	2,371	442	–	22	(30)	–	2,805	–
Total	2,371	442	–	22	(30)	–	2,805	–
CONTRIBUTION PLAN – Sawpit Creek Drainage								
Drainage	640	33	–	2	(7)	–	668	–
Total	640	33	–	2	(7)	–	668	–
CONTRIBUTION PLAN – Reconstruct Hereford Street								
Roads	435	121	–	1	(425)	–	132	–
Total	435	121	–	1	(425)	–	132	–
CONTRIBUTION PLAN – Central Carparking Strategies								
Parking	687	–	–	2	(501)	–	188	–
Total	687	–	–	2	(501)	–	188	–
CONTRIBUTION PLAN – Community Facilities and Services Bathurst								
Community facilities	6,792	2,216	–	51	(1,768)	–	7,291	–
Total	6,792	2,216	–	51	(1,768)	–	7,291	–
CONTRIBUTION PLAN – Robin Hill Drainage								
Drainage	466	2	–	4	(7)	–	465	–
Total	466	2	–	4	(7)	–	465	–

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
CONTRIBUTION PLAN – Eglinton Open Space & Drainage								
Drainage	409	2	–	4	–	–	415	–
Open space	462	3	–	4	–	–	469	–
Total	871	5	–	8	–	–	884	–
CONTRIBUTION PLAN – Bathurst Regional Open Space								
Open space	373	569	–	3	(24)	–	921	–
Total	373	569	–	3	(24)	–	921	–
CONTRIBUTION PLAN – Roadworks – New Residential Subdivisions (Area 4 Kelso)								
Roads	824	(40)	–	5	(165)	–	624	–
Total	824	(40)	–	5	(165)	–	624	–
CONTRIBUTION PLAN - Bathurst Regional Traffic Generating Development								
Traffic facilities	–	3	–	–	–	–	3	–
Total	–	3	–	–	–	–	3	–
S7.11 Contributions – not under a plan								
CONTRIBUTIONS NOT UNDER A PLAN								
Roads	4,631	1,567	–	34	(1,417)	–	4,815	–
Other	452	159	–	4	(75)	–	540	–
Total	5,083	1,726	–	38	(1,492)	–	5,355	–

### S7.11 Contributions – not under a plan

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Financial result and financial position by fund

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	31,884	3,149	9,322
User charges and fees	10,057	11,916	2,335
Interest and investment revenue	2,150	144	274
Other revenues	4,872	63	26
Grants and contributions provided for operating purposes	11,907	111	108
Grants and contributions provided for capital purposes	16,226	3,218	3,810
<b>Other income</b>			
Net gains from disposal of assets	1,623	–	52
Fair value increment on investment property	239	–	–
<b>Total income from continuing operations</b>	<b>78,958</b>	<b>18,601</b>	<b>15,927</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	26,011	3,458	3,359
Borrowing costs	1,138	177	–
Materials and contracts	19,439	7,123	3,989
Depreciation and amortisation	17,916	4,585	3,353
Other expenses	9,383	1,156	798
<b>Total expenses from continuing operations</b>	<b>73,887</b>	<b>16,499</b>	<b>11,499</b>
<b>Operating result from continuing operations</b>	<b>5,071</b>	<b>2,102</b>	<b>4,428</b>
<b>Net operating result for the year</b>	<b>5,071</b>	<b>2,102</b>	<b>4,428</b>
<b>Net operating result attributable to each council fund</b>	<b>5,071</b>	<b>2,102</b>	<b>4,428</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(11,155)</b>	<b>(1,116)</b>	<b>618</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	(27,582)	19,064	15,286
Investments	53,500	–	–
Receivables	4,951	3,413	954
Inventories	8,088	–	–
Other	865	44	4
<b>Total current assets</b>	<b>39,822</b>	<b>22,521</b>	<b>16,244</b>
<b>Non-current assets</b>			
Investments	(56)	7,667	18,069
Receivables	461	44	33
Inventories	11,545	–	–
Infrastructure, property, plant and equipment	898,843	246,850	153,177
Investment property	15,567	–	–
<b>Total non-current assets</b>	<b>926,360</b>	<b>254,561</b>	<b>171,279</b>
<b>TOTAL ASSETS</b>	<b>966,182</b>	<b>277,082</b>	<b>187,523</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	7,554	185	135
Income received in advance	1,529	–	–
Borrowings	5,078	245	–
Provisions	10,308	757	504
<b>Total current liabilities</b>	<b>24,469</b>	<b>1,187</b>	<b>639</b>
<b>Non-current liabilities</b>			
Payables	1,038	–	–
Borrowings	25,082	6,102	–
Provisions	1,610	6	8
<b>Total non-current liabilities</b>	<b>27,730</b>	<b>6,108</b>	<b>8</b>
<b>TOTAL LIABILITIES</b>	<b>52,199</b>	<b>7,295</b>	<b>647</b>
<b>Net assets</b>	<b>913,983</b>	<b>269,787</b>	<b>186,876</b>
<b>EQUITY</b>			
Accumulated surplus	456,365	143,407	90,975
Revaluation reserves	457,618	126,380	95,901
<b>Council equity interest</b>	<b>913,983</b>	<b>269,787</b>	<b>186,876</b>
<b>Total equity</b>	<b>913,983</b>	<b>269,787</b>	<b>186,876</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018      2017		Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(13,567)	(15.36)%	(6.92)%	(5.45)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	88,318				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	75,603	67.76%	69.30%	62.40%	>60.00%
Total continuing operating revenue <sup>1</sup>	111,572				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	13,905	0.87x	1.14x	2.27x	>1.50x
Current liabilities less specific purpose liabilities	15,992				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	13,602	2.17x	3.66x	4.12x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	6,264				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	2,943	6.30%	6.17%	5.68%	<10.00%
Rates, annual and extra charges collectible	46,697				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	65,898	8.90 mths	10.47 mths	10.00 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	7,408				

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	(21.59)%	(11.96)%	(7.25)%	5.45%	5.51%	1.19%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	62.72%	64.52%	82.10%	83.03%	75.40%	73.96%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	0.87x	1.14x	18.97x	14.06x	25.37x	36.53x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	1.04x	2.17x	9.89x	14.92x	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	6.20%	6.01%	6.89%	6.68%	6.49%	6.62%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	1.01	8.09	26.92	15.20	49.14	23.38	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 25. Council information and contact details

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**Principal place of business:**

158 Russell Street  
BATHURST NSW 2795

#### Contact details

**Mailing Address:**

Private Mail Bag 17  
BATHURST NSW 2795

**Telephone:** 02 6333 6111

**Facsimile:** 02 6331 7211

**Opening hours:**

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

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

**Email:** [council@bathurst.nsw.gov.au](mailto: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**

Robert Bourke

**Councillors**

Warren Aubin

Alex Christian

John Fry

Graeme Hanger

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 statements

#### Bathurst Regional Council

To the Councillors of the Bathurst Regional Council

### Opinion

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

In my opinion:

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

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

### Basis for Opinion

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

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

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

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



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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Karen Taylor  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY



Mayor  
Bathurst Regional Council  
Private Mail Bag 17  
BATHURST NSW 2795

Contact: Karen Taylor  
Phone no: 02 9275 7311  
Our ref: D1925865/1688

29 October 2019

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2019  
Bathurst Regional Council**




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

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

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

## INCOME STATEMENT

### Operating result

	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	44.4	42.3	 5.0
Grants and contributions revenue	35.4	34.3	 3.2
Operating result for the year	11.6	21.5	 46.0

Rates and annual charges revenue (\$44.4 million) increased by \$2.1 million (5.0 per cent) in 2018–2019. This increase is higher than the approved rate pegging of 2.3 per cent as continued development within the Council area has increased the number of rateable properties.

Grants and contributions revenue (\$35.4 million) increased by \$0.9 million in 2018–2019. Whilst there was minimal movement in this line item overall, there was a change in the sources, with capital grants falling and capital contributions increasing compared to 2017–18.

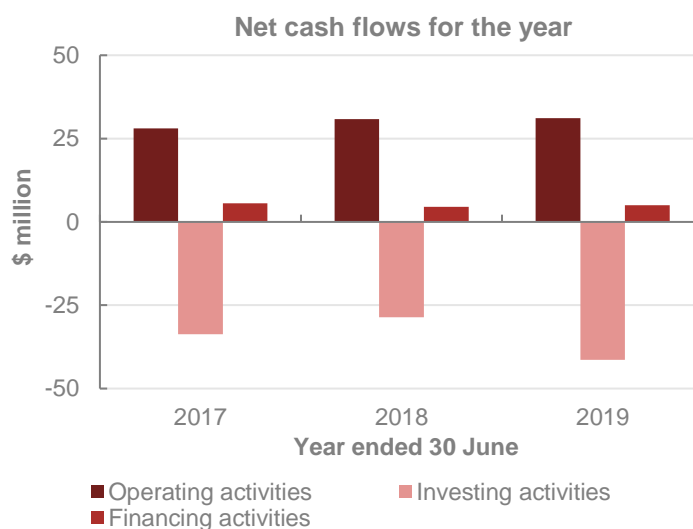
Council's operating result (\$11.6 million surplus including the effect of depreciation and amortisation expense of \$25.9 million) was \$9.9 million lower than the 2017–18 result. This was impacted by:

- \$4.8 million decrease in user charges and fees due to a decrease in works performed on state roads on behalf of Roads and Maritime Services and water restrictions lowering water usage revenue
- \$1.3 million in gains from the sale of real estate assets in 2018–19 compared to \$3.6 million in the previous financial year.
- \$3.2 million increase in expenses.

The net operating result before capital grants and contributions (\$11.7 million deficit) was \$11.9 million lower than the 2017–18 result.

## STATEMENT OF CASH FLOWS

The cash flows from operating activities have remained relatively consistent for the last three years. Council drew down \$9.7 million in new borrowings during 2018–19.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	85.9	89.7	Council 's restrictions for water and sewer funds have continued to increase in the current year, offset by a reduction in unexpended loans.
Internal restrictions	--	6.2	
Unrestricted	--	--	
<b>Cash and investments</b>	<b>85.9</b>	<b>95.9</b>	Council passed a resolution to reduce its internal restrictions to nil at 30 June 2019.

### Debt

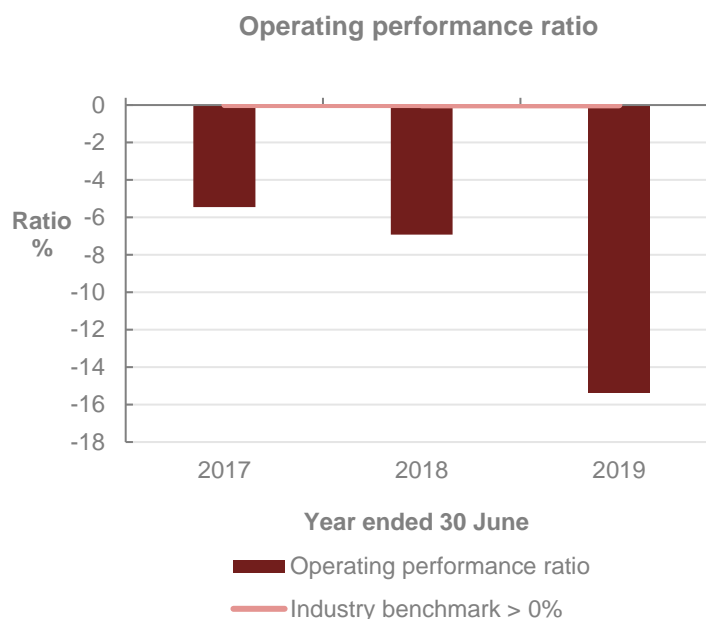
Council has an approved overdraft facility of \$650,000 and an approved credit card facility of \$115,000. At 30 June 2019, Council had not utilised its approved credit card facility or its approved overdraft facility.

## PERFORMANCE

### Operating performance ratio

Council's result is consistently below the benchmark due to its reliance on land sales as source of general fund revenue. The delays experienced in the completing some residential developments has seen this ratio further decrease in 2018–19.

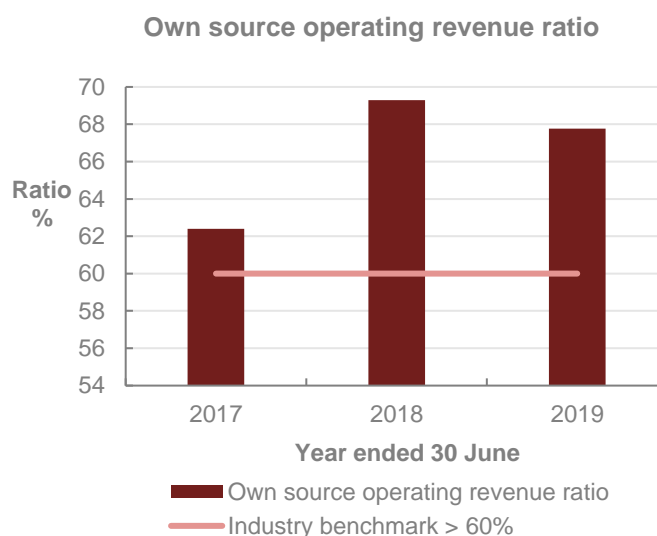
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



### Own source operating revenue ratio

Council has continued to exceed the benchmark for this ratio.

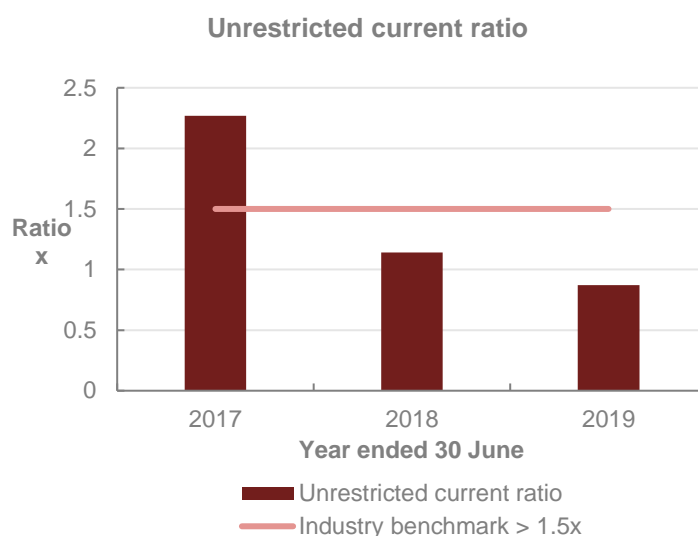
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



## Unrestricted current ratio

Council's unrestricted current ratio has fallen below the benchmark in the last two years due to delays in completing residential subdivisions for sale by Council.

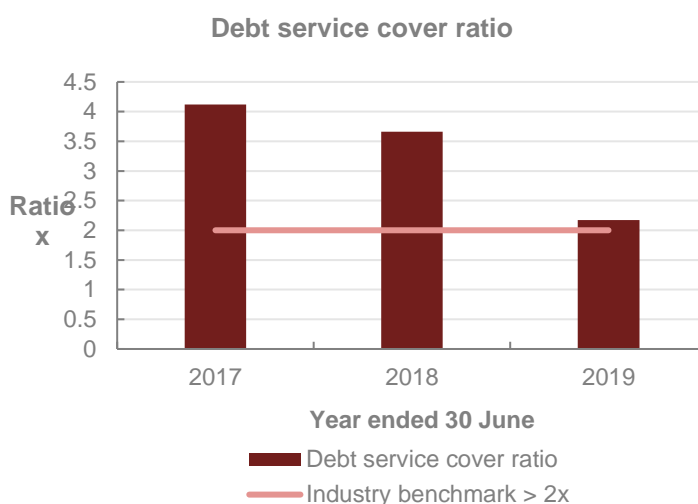
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



## Debt service cover ratio

Council's debt service cover ratio has exceeded the industry benchmark over the last three years. The reduction in this ratio over the last few years has been due to new borrowings undertaken by Council to fund key infrastructure projects.

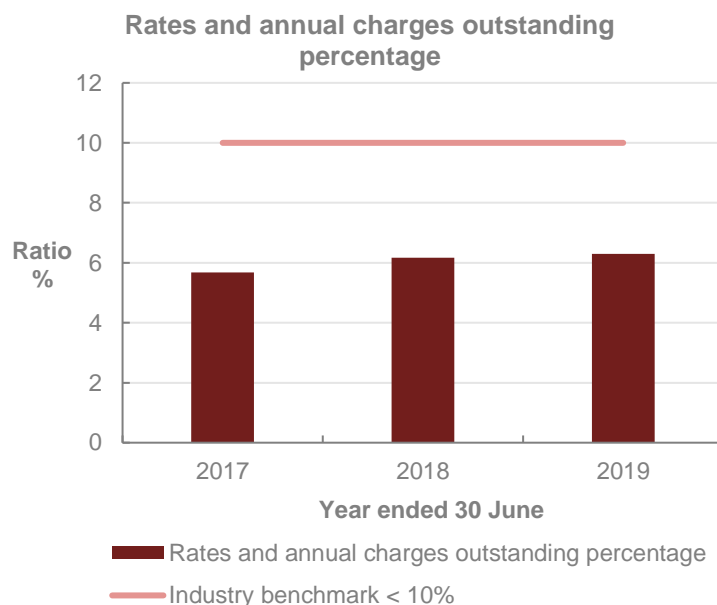
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



## Rates and annual charges outstanding percentage

The ratio has increased slightly over the last three years, but is still well below the benchmark of 10 per cent.

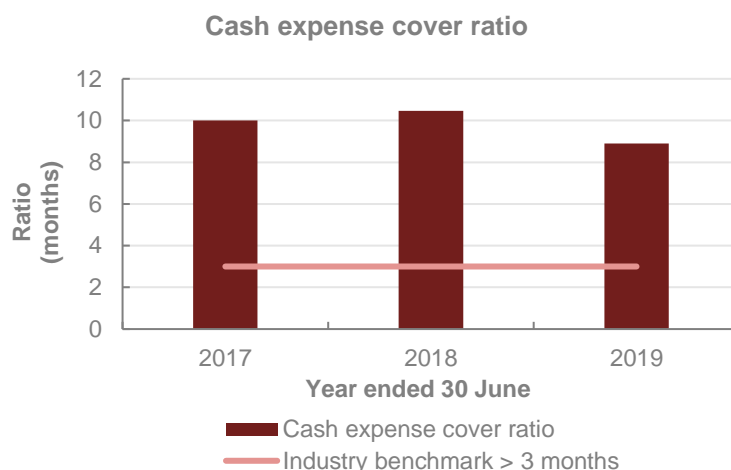
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



## Cash expense cover ratio

Council's strong liquidity is reflected by this measure. Council has comfortably exceeded the benchmark and has done so for 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 the former OLG is greater than three months.



## Infrastructure, property, plant and equipment renewals

Council has renewed \$16.9 million of assets in 2018–19 compared to \$13.8 million in 2017–18. In both years, most spending is on renewing roads. In 2018–19, there has been an increase in building renewals (2019: \$1.4 million, 2018: \$0.7 million).



## OTHER MATTERS

### New accounting standards implemented

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

### Legislative compliance

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

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



Karen Taylor  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales



# Bathurst Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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*A vibrant regional centre that enjoys a rural lifestyle . . . . . A  
Region full of community spirit and shared prosperity.*



## Special Purpose Financial Statements

for the year ended 30 June 2019

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### Background

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

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

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

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

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

## Bathurst Regional Council

### Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 18 September 2019.



Robert Bourke  
Mayor  
18 September 2019



Ian North  
Deputy Mayor  
18 September 2019



David Sherley  
General Manager  
18 September 2019



Aaron Jones  
Responsible Accounting Officer  
18 September 2019

# Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	3,149	3,102
User charges	11,710	14,073
Fees	206	213
Interest	144	154
Grants and contributions provided for non-capital purposes	111	109
Other income	63	71
<b>Total income from continuing operations</b>	<b>15,383</b>	<b>17,722</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	3,458	3,400
Borrowing costs	177	180
Materials and contracts	7,123	7,651
Depreciation, amortisation and impairment	4,585	4,223
Loss on sale of assets	–	13
Calculated taxation equivalents	103	93
Debt guarantee fee (if applicable)	14	8
Other expenses	1,156	1,289
<b>Total expenses from continuing operations</b>	<b>16,616</b>	<b>16,857</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(1,233)</b>	<b>865</b>
Grants and contributions provided for capital purposes	3,218	3,492
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,985</b>	<b>4,357</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,985</b>	<b>4,357</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(238)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,985</b>	<b>4,119</b>
<b>Plus accumulated surplus</b>	<b>141,305</b>	<b>136,849</b>
<b>Plus/less: prior period adjustments</b>	<b>–</b>	<b>(2)</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	103	93
– Debt guarantee fees	14	8
– Corporate taxation equivalent	–	238
<b>Closing accumulated surplus</b>	<b>143,407</b>	<b>141,305</b>
<b>Return on capital %</b>	<b>(0.4)%</b>	<b>0.4%</b>
<b>Subsidy from Council</b>	<b>4,314</b>	<b>5,355</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,985	4,119
Less: capital grants and contributions (excluding developer contributions)	(3,218)	(836)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>3,283</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>1,642</b>

# Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	9,322	8,720
User charges	1,735	1,877
Liquid trade waste charges	420	669
Fees	180	161
Interest	274	333
Grants and contributions provided for non-capital purposes	108	106
Profit from the sale of assets	52	–
Other income	26	26
<b>Total income from continuing operations</b>	<b>12,117</b>	<b>11,892</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	3,359	3,049
Materials and contracts	3,989	4,723
Depreciation, amortisation and impairment	3,353	3,263
Calculated taxation equivalents	18	13
Other expenses	798	716
<b>Total expenses from continuing operations</b>	<b>11,517</b>	<b>11,764</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>600</b>	<b>128</b>
Grants and contributions provided for capital purposes	3,810	4,044
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>4,410</b>	<b>4,172</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>4,410</b>	<b>4,172</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(165)	(35)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>4,245</b>	<b>4,137</b>
<b>Plus accumulated surplus</b>	<b>86,547</b>	<b>82,362</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	18	13
– Corporate taxation equivalent	165	35
<b>Closing accumulated surplus</b>	<b>90,975</b>	<b>86,547</b>
<b>Return on capital %</b>	<b>0.4%</b>	<b>0.1%</b>
<b>Subsidy from Council</b>	<b>1,422</b>	<b>3,808</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	4,245	4,137
Less: capital grants and contributions (excluding developer contributions)	(3,810)	(1,398)
<b>Surplus for dividend calculation purposes</b>	<b>435</b>	<b>2,739</b>
<b>Potential dividend calculated from surplus</b>	<b>218</b>	<b>1,369</b>

# Income Statement – Waste

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>Income from continuing operations</b>		
Access charges	6,596	6,206
Fees	6,869	6,440
Interest	138	163
Grants and contributions provided for non-capital purposes	69	10
Profit from the sale of assets	16	–
Other income	10	(1)
<b>Total income from continuing operations</b>	<b>13,698</b>	<b>12,818</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,982	2,917
Borrowing costs	29	23
Materials and contracts	6,141	6,192
Depreciation, amortisation and impairment	577	555
Loss on sale of assets	77	95
Calculated taxation equivalents	127	74
Other expenses	9	1
<b>Total expenses from continuing operations</b>	<b>9,942</b>	<b>9,857</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>3,756</b>	<b>2,961</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>3,756</b>	<b>2,961</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>3,756</b>	<b>2,961</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,033)	(814)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,723</b>	<b>2,147</b>
<b>Plus accumulated surplus</b>	<b>29,893</b>	<b>26,859</b>
<b>Plus/less: prior period adjustments</b>	<b>–</b>	<b>(1)</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	127	74
– Corporate taxation equivalent	1,033	814
<b>Closing accumulated surplus</b>	<b>33,776</b>	<b>29,893</b>
<b>Return on capital %</b>	<b>28.6%</b>	<b>22.0%</b>



## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	19,064	16,497
Receivables	3,413	4,331
Other	44	–
<b>Total current assets</b>	<b>22,521</b>	<b>20,828</b>
<b>Non-current assets</b>		
Investments	7,667	5,726
Receivables	44	54
Infrastructure, property, plant and equipment	246,850	243,327
<b>Total non-current assets</b>	<b>254,561</b>	<b>249,107</b>
<b>TOTAL ASSETS</b>	<b>277,082</b>	<b>269,935</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	185	189
Borrowings	245	180
Provisions	757	771
<b>Total current liabilities</b>	<b>1,187</b>	<b>1,140</b>
<b>Non-current liabilities</b>		
Borrowings	6,102	4,647
Provisions	6	2
<b>Total non-current liabilities</b>	<b>6,108</b>	<b>4,649</b>
<b>TOTAL LIABILITIES</b>	<b>7,295</b>	<b>5,789</b>
<b>NET ASSETS</b>	<b>269,787</b>	<b>264,146</b>
<b>EQUITY</b>		
Accumulated surplus	143,407	141,305
Revaluation reserves	126,380	122,841
<b><u>TOTAL EQUITY</u></b>	<b><u>269,787</u></b>	<b><u>264,146</u></b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	15,286	14,072
Receivables	954	1,015
Other	4	—
<b>Total current assets</b>	<b>16,244</b>	<b>15,087</b>
<b>Non-current assets</b>		
Investments	18,069	15,820
Receivables	33	33
Infrastructure, property, plant and equipment	153,177	149,670
<b>Total non-current assets</b>	<b>171,279</b>	<b>165,523</b>
<b>TOTAL ASSETS</b>	<b>187,523</b>	<b>180,610</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	135	96
Provisions	504	317
<b>Total current liabilities</b>	<b>639</b>	<b>413</b>
<b>Non-current liabilities</b>		
Provisions	8	8
<b>Total non-current liabilities</b>	<b>8</b>	<b>8</b>
<b>TOTAL LIABILITIES</b>	<b>647</b>	<b>421</b>
<b>NET ASSETS</b>	<b>186,876</b>	<b>180,189</b>
<b>EQUITY</b>		
Accumulated surplus	90,975	86,547
Revaluation reserves	95,901	93,642
<b>TOTAL EQUITY</b>	<b>186,876</b>	<b>180,189</b>

## Statement of Financial Position – Waste

as at 30 June 2019

<b>\$ '000</b>	<b>2019 Category 1</b>	<b>2018 Category 1</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	28,429	24,059
Receivables	818	947
Other	3	1
<b>Total current assets</b>	<b>29,250</b>	<b>25,007</b>
<b>Non-current assets</b>		
Receivables	215	228
Infrastructure, property, plant and equipment	13,230	13,536
<b>Total non-current assets</b>	<b>13,445</b>	<b>13,764</b>
<b>TOTAL ASSETS</b>	<b>42,695</b>	<b>38,771</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	11	39
Provisions	512	484
<b>Total current liabilities</b>	<b>523</b>	<b>523</b>
<b>Non-current liabilities</b>		
Provisions	1,518	1,477
<b>Total non-current liabilities</b>	<b>1,518</b>	<b>1,477</b>
<b>TOTAL LIABILITIES</b>	<b>2,041</b>	<b>2,000</b>
<b>NET ASSETS</b>	<b>40,654</b>	<b>36,771</b>
<b>EQUITY</b>		
Accumulated surplus	33,776	29,893
Revaluation reserves	6,878	6,878
<b>TOTAL EQUITY</b>	<b>40,654</b>	<b>36,771</b>

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

### Note 1. Significant Accounting Policies

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

##### a. 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

##### c. Bathurst Regional Council Waste Services

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

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

### Note 1. Significant Accounting Policies (continued)

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#### 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 dollars and rounded to the nearest one thousand dollars.

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – **27.5%**

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

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

#### Income tax

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

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

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

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

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

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

#### Local government rates and charges

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

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

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

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

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

#### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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

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

#### (iv) Dividends

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



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial statements**

#### **Bathurst Regional Council**

To the Councillors of the Bathurst Regional Council

### **Opinion**

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

The declared business activities of the Council are:

- Water Supply
- Sewerage
- Waste.

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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



My opinion does not provide assurance:

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



Karen Taylor  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY



# Bathurst Regional Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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*A vibrant regional centre that enjoys a rural lifestyle . . . . . A  
Region full of community spirit and shared prosperity.*



Special Schedules  
for the year ended 30 June 2019

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

## Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	26,166	25,203
Plus or minus adjustments <sup>2</sup>	b	601	411
<b>Notional general income</b>	$c = a + b$	<b>26,767</b>	<b>25,614</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	723	589
<b>Sub-total</b>	$k = (c + g + h + i + j)$	<b>27,490</b>	<b>26,203</b>
Plus (or minus) last year's carry forward total	l	37	21
<b>Sub-total</b>	$n = (l + m)$	<b>37</b>	<b>21</b>
<b>Total permissible income</b>	$o = k + n$	<b>27,527</b>	<b>26,224</b>
Less notional general income yield	p	27,518	26,166
<b>Catch-up or (excess) result</b>	$q = o - p$	<b>9</b>	<b>58</b>
Less unused catch-up <sup>5</sup>	s	—	(21)
<b>Carry forward to next year <sup>6</sup></b>	$t = q + r + s$	<b>9</b>	<b>37</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### Bathurst Regional Council

To the Councillors of Bathurst Regional Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Karen Taylor  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY



# Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings	10,267	16,392	1,089	1,499	131,678	187,470	41.0%	33.0%	16.0%	3.0%	7.0%
	Other – Leasehold Improvements	–	–	–	–	2,027	2,029	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	10,267	16,392	1,089	1,499	133,705	189,499	41.6%	32.6%	15.8%	3.0%	7.0%
Other structures	Other structures	631	253	121	150	17,081	24,841	67.0%	15.0%	10.0%	7.0%	1.0%
	Sub-total	631	253	121	150	17,081	24,841	67.0%	15.0%	10.0%	7.0%	1.0%
Roads	Sealed roads	51,984	14,563	7,608	15,854	273,023	429,770	14.0%	25.0%	29.0%	27.0%	5.0%
	Unsealed roads	1,830	365	335	2,222	14,444	27,823	15.0%	11.0%	46.0%	25.0%	3.0%
	Bridges	3,997	1,194	1,453	226	21,636	38,485	17.0%	32.0%	45.0%	4.0%	2.0%
	Footpaths	781	51	208	923	10,167	15,749	36.0%	22.0%	31.0%	10.0%	1.0%
	Other road assets	2,421	1,669	479	543	525	1,121	31.0%	22.0%	30.0%	12.0%	5.0%
	Bulk earthworks	132	241	20	–	129,068	129,068	99.0%	0.0%	1.0%	0.0%	0.0%
	Sub-total	61,145	18,083	10,103	19,768	448,863	642,016	31.9%	19.7%	25.1%	19.7%	3.6%
Water supply network	Water supply network	15,663	1,284	3,729	4,122	228,966	354,932	11.0%	48.0%	27.0%	10.0%	4.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	15,663	1,284	3,729	4,122	228,966	354,932	11.0%	48.0%	27.0%	10.0%	4.0%
Sewerage network	Sewerage network	9,820	1,608	2,780	1,927	147,797	229,142	19.0%	34.0%	36.0%	10.0%	1.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	9,820	1,608	2,780	1,927	147,797	229,142	19.0%	34.0%	36.0%	10.0%	1.0%
Stormwater drainage	Stormwater drainage	2,559	604	1,479	504	126,234	169,748	31.0%	33.0%	34.0%	2.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	2,559	604	1,479	504	126,234	169,748	31.0%	33.0%	34.0%	2.0%	0.0%
Open space / recreational assets	Swimming pools	1,996	1,619	275	680	12,190	13,836	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	1,996	1,619	275	680	12,190	13,836	100.0%	0.0%	0.0%	0.0%	0.0%
TOTAL - ALL ASSETS		102,081	39,843	19,576	28,650	1,114,836	1,624,014	27.7%	30.6%	26.5%	12.0%	3.2%

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

## Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

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### Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018      2017		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio <sup>1</sup>					
Asset renewals <sup>2</sup>	12,470	56.70%	44.18%	—	>=100.00%
Depreciation, amortisation and impairment	21,993				
Infrastructure backlog ratio <sup>1</sup>					
Estimated cost to bring assets to a satisfactory standard	102,081	9.16%	8.86%	—	<2.00%
Net carrying amount of infrastructure assets	1,114,836				
Asset maintenance ratio					
Actual asset maintenance	28,650	146.35%	81.49%	—	>100.00%
Required asset maintenance	19,576				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	39,843	2.45%	1.83%	—	
Gross replacement cost	1,624,014				

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

(1) Excludes Work In Progress (WIP)

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio <sup>1</sup>							
Asset renewals <sup>2</sup>							
Depreciation, amortisation and impairment	72.43%	50.42%	35.09%	47.11%	14.05%	12.29%	>=100.00%
Infrastructure backlog ratio <sup>1</sup>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	10.38%	10.12%	6.84%	6.47%	6.64%	6.28%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	172.96%	72.43%	110.54%	111.68%	69.32%	92.23%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	3.55%	2.21%	0.36%	1.18%	0.70%	1.12%	

(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.