

# Tamworth Regional Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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*More than just a city. More than just one place.*



# Tamworth Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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*More than just a city. More than just one place.*



# General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	<b>3</b>
<b>2. Statement by Councillors &amp; Management</b>	<b>4</b>
<b>3. Primary Financial Statements:</b>	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
<b>4. Notes to the Financial Statements</b>	<b>10</b>
<b>5. Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	86
On the Financial Statements (Sect 417 [3])	89

## Overview

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

437 Peel Street  
TAMWORTH NSW 2340

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.tamworth.nsw.gov.au](http://www.tamworth.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.

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:

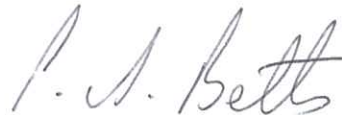
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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 12 November 2019.



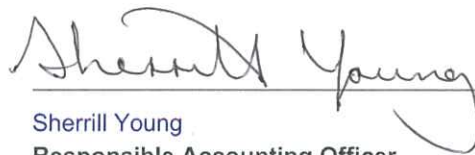
Col Murray  
Mayor  
12 November 2019



Phil Betts  
Councillor  
12 November 2019



Paul Bennett  
General Manager  
12 November 2019



Sherrill Young  
Responsible Accounting Officer  
12 November 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>				
67,346	Rates and annual charges	3a	68,498	66,396
35,821	User charges and fees	3b	44,559	45,533
4,060	Interest and investment revenue	3c	4,633	4,395
2,966	Other revenues	3d	3,770	3,726
17,399	Grants and contributions provided for operating purposes	3e,3f	18,558	17,118
21,596	Grants and contributions provided for capital purposes	3e,3f	35,958	17,199
<u>Other income:</u>				
—	Fair value increment on investment properties	11	—	736
<b>149,188</b>	<b>Total income from continuing operations</b>		<b>175,976</b>	<b>155,103</b>
<b>Expenses from continuing operations</b>				
49,588	Employee benefits and on-costs	4a	48,108	46,081
4,838	Borrowing costs	4b	4,503	4,912
28,763	Materials and contracts	4c	34,958	36,306
32,469	Depreciation and amortisation	4d	33,390	32,612
9,211	Other expenses	4e	9,660	9,543
—	Net losses from the disposal of assets	5	6,175	8,985
—	Fair value decrement on investment properties	11	60	—
<b>124,869</b>	<b>Total expenses from continuing operations</b>		<b>136,854</b>	<b>138,439</b>
<b>24,319</b>	<b>Operating result from continuing operations</b>		<b>39,122</b>	<b>16,664</b>
<b>24,319</b>	<b>Net operating result for the year</b>		<b>39,122</b>	<b>16,664</b>
24,319	Net operating result attributable to council		39,067	16,542
—	Net operating result attributable to non-controlling interests		55	122
<b>2,723</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>3,164</b>	<b>(535)</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>39,122</b>	<b>16,664</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	42,351	34,398
Impairment (loss) reversal relating to IPP&E	10(a)	(754)	—
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>41,597</b>	<b>34,398</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		—	(130)
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>—</b>	<b>(130)</b>
<b>Total other comprehensive income for the year</b>		<b>41,597</b>	<b>34,268</b>
<b>Total comprehensive income for the year</b>		<b>80,719</b>	<b>50,932</b>
Total comprehensive income attributable to Council		80,664	50,810
Total comprehensive income attributable to non-controlling interests		55	122

(<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 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	Restated 2018 <sup>1,2</sup>	Restated 1 July 2017 <sup>2</sup>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalent assets	6(a)	13,875	4,957	17,050
Investments	6(b)	100,764	116,398	133,991
Receivables	7	17,924	19,154	14,903
Inventories	8a	1,229	1,096	1,123
Other	8b	826	233	53
Current assets classified as 'held for sale'	9i	2,017	5,513	3,681
<b>Total current assets</b>		<b>136,635</b>	<b>147,351</b>	<b>170,801</b>
<b>Non-current assets</b>				
Investments	6(b)	42,000	42,000	8,000
Receivables	7	389	380	376
Infrastructure, property, plant and equipment <sup>3</sup>	10(a)	1,525,646	1,457,487	1,422,649
Investment property	11a	29,875	8,410	6,450
Intangible assets	12	2,111	2,097	1,374
<b>Total non-current assets</b>		<b>1,600,021</b>	<b>1,510,374</b>	<b>1,438,849</b>
<b>TOTAL ASSETS</b>		<b>1,736,656</b>	<b>1,657,725</b>	<b>1,609,650</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	13	12,540	10,317	13,090
Income received in advance	13	332	897	375
Borrowings	13	6,319	5,931	5,497
Provisions	14	9,880	9,604	9,415
<b>Total current liabilities</b>		<b>29,071</b>	<b>26,749</b>	<b>28,377</b>
<b>Non-current liabilities</b>				
Borrowings	13	65,834	70,653	72,083
Provisions	14	9,504	8,795	8,594
<b>Total non-current liabilities</b>		<b>75,338</b>	<b>79,448</b>	<b>80,677</b>
<b>TOTAL LIABILITIES</b>		<b>104,409</b>	<b>106,197</b>	<b>109,054</b>
<b>Net assets</b>		<b>1,632,247</b>	<b>1,551,528</b>	<b>1,500,596</b>
<b>EQUITY</b>				
Accumulated surplus	15a	1,148,629	1,109,562	1,093,020
Revaluation reserves	15a	482,961	441,364	407,096
<b>Council equity interest</b>		<b>1,631,590</b>	<b>1,550,926</b>	<b>1,500,116</b>
<b>Non-controlling equity interests</b>		<b>657</b>	<b>602</b>	<b>480</b>
<b>Total equity</b>		<b>1,632,247</b>	<b>1,551,528</b>	<b>1,500,596</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

(2) Restated refer to Note 15b

(3) Stormwater infrastructure restated refer to Note 15b

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

		2019					2018 <sup>1</sup>				
		Accumulated surplus	IPP&E revaluation reserve	Council interest	Non-controlling interest	Total equity	Accumulated surplus Restated	IPP&E revaluation reserve Restated	Council interest Restated	Non-controlling interest Restated	Total equity Restated
<b>\$ '000</b>	Notes										
Opening balance		1,081,180	441,364	1,522,544	602	1,523,146	1,064,638	407,096	1,471,734	480	1,472,214
Correction of prior period errors	15b	28,382	–	28,382	–	28,382	28,382	–	28,382	–	28,382
<b>Restated opening balance</b>		<b>1,109,562</b>	<b>441,364</b>	<b>1,550,926</b>	<b>602</b>	<b>1,551,528</b>	<b>1,093,020</b>	<b>407,096</b>	<b>1,500,116</b>	<b>480</b>	<b>1,500,596</b>
Net operating result for the year		39,067	–	39,067	55	39,122	16,542	–	16,542	122	16,664
<b>Other comprehensive income</b>											
– Gain (loss) on revaluation of IPP&E	10(a)	–	42,351	42,351	–	42,351	–	34,398	34,398	–	34,398
– Gain (loss) on revaluation of available for sale investments		–	–	–	–	–	–	(130)	(130)	–	(130)
– Impairment (loss) reversal relating to IPP&E	10(a)	–	(754)	(754)	–	(754)	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>41,597</b>	<b>41,597</b>	<b>–</b>	<b>41,597</b>	<b>–</b>	<b>34,268</b>	<b>34,268</b>	<b>–</b>	<b>34,268</b>
<b>Total comprehensive income</b>		<b>39,067</b>	<b>41,597</b>	<b>80,664</b>	<b>55</b>	<b>80,719</b>	<b>16,542</b>	<b>34,268</b>	<b>50,810</b>	<b>122</b>	<b>50,932</b>
<b>Equity – balance at end of the reporting period</b>		<b>1,148,629</b>	<b>482,961</b>	<b>1,631,590</b>	<b>657</b>	<b>1,632,247</b>	<b>1,109,562</b>	<b>441,364</b>	<b>1,550,926</b>	<b>602</b>	<b>1,551,528</b>

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

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

# Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<u>Receipts</u>				
67,346	Rates and annual charges		68,537	65,580
38,068	User charges and fees		47,870	43,816
4,060	Investment and interest revenue received		4,535	4,035
41,106	Grants and contributions		44,728	32,711
–	Bonds, deposits and retention amounts received		715	501
10,465	Other		10,648	9,212
<u>Payments</u>				
(49,700)	Employee benefits and on-costs		(47,833)	(46,171)
(39,456)	Materials and contracts		(44,464)	(46,746)
(4,381)	Borrowing costs		(4,363)	(4,515)
–	Bonds, deposits and retention amounts refunded		(405)	(849)
(10,132)	Other		(10,388)	(10,430)
<b>57,376</b>	<b>Net cash provided (or used in) operating activities</b>	16b	<b>69,580</b>	<b>47,144</b>
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
8,000	Sale of investment securities		57,970	–
–	Sale of real estate assets		–	100
–	Sale of infrastructure, property, plant and equipment		4,574	4,732
–	Deferred debtors receipts		1	12
<u>Payments</u>				
–	Purchase of investment securities		(42,336)	(4,269)
–	Purchase of investment property		(20,000)	(1,224)
(78,165)	Purchase of infrastructure, property, plant and equipment		(56,369)	(45,454)
–	Purchase of intangible assets		(71)	–
<b>(70,165)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(56,231)</b>	<b>(46,103)</b>
<b>Cash flows from financing activities</b>				
<u>Receipts</u>				
12,090	Proceeds from borrowings and advances		1,500	4,500
<u>Payments</u>				
(5,924)	Repayment of borrowings and advances		(5,931)	(5,496)
<b>6,166</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(4,431)</b>	<b>(996)</b>
<b>(6,623)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8,918</b>	<b>45</b>
21,362	Plus: cash and cash equivalents – beginning of year	16a	4,957	4,912
<b>14,739</b>	<b>Cash and cash equivalents – end of the year</b>	16a	<b>13,875</b>	<b>4,957</b>
Additional Information:				
127,996	plus: Investments on hand – end of year	6(b)	142,764	158,398
<b>142,735</b>	<b>Total cash, cash equivalents and investments</b>		<b>156,639</b>	<b>163,355</b>

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

## Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	15
2(b)	Council functions/activities – component descriptions	16
3	Income from continuing operations	17
4	Expenses from continuing operations	25
5	Gains or losses from the disposal, replacement and de-recognition of assets	29
6(a)	Cash and cash equivalent assets	30
6(b)	Investments	30
6(c)	Restricted cash, cash equivalents and investments – details	33
7	Receivables	35
8	Inventories and other assets	37
9	Non-current assets classified as held for sale	38
10(a)	Infrastructure, property, plant and equipment	39
10(b)	Infrastructure, property, plant and equipment – current year impairments	43
11	Investment property	44
12	Intangible assets	45
13	Payables and borrowings	46
14	Provisions	48
15	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	52
16	Statement of cash flows – additional information	54
17	Interests in other entities	55
18	Commitments	57
19	Contingencies and other assets/liabilities not recognised	58
20	Financial risk management	61
21	Material budget variations	65
22	Fair Value Measurement	67
23	Related Party Transactions	73
24	Statement of developer contributions	74
25	Financial result and financial position by fund	78
26(a)	Statement of performance measures – consolidated results	81
26(b)	Statement of performance measures – by fund	82
	<b>Additional Council disclosures (unaudited)</b>	
26(c)	Statement of performance measures – consolidated results (graphs)	83
27	Council information and contact details	85

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 12 November 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 21 – 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 15.

### (b) Historical cost convention

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

### (c) Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note 11
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (iii) estimated tip remediation provisions – refer Note 14
- (iv) employee benefit provisions – refer Note 14.

#### Significant judgements in applying the council's accounting policies

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

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation (continued)

### 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 Supply
- Sewerage Service
- Domestic Waste Management
- Central Northern Regional Libraries

#### (b) The Trust Fund

Council does not maintain a separate and distinct Trust Fund in accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended). Separate and distinct cash funded liability accounts are maintained to account for all money and assets received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

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

### Goods and Services Tax (GST)

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

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

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

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

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 (along side 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 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)

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 no office equipment non-cancellable operating lease commitments. All office equipment operating leases are currently cancellable with the provision of one months notice.

For the remaining operating lease commitments, Council has one materially significant lease in place until 2022 with total lease payments due of \$2.6M, Council anticipates it will recognise lease liabilities (on its balance sheet) of \$2.6M (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 \$2.6M on 1 July 2019.

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.

### AASB 1058 Income of NFP Entities

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

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

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

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

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

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

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

Council will not be recognising services provided by volunteers due to the cost of trying to capture and assign a value to the many services volunteers in our community provide. The main impact of AASB1058 on Council will be in the timing of revenue recognition for capital grant funding, however it is difficult to quantify this impact as the nature of the funding agreement varies from project to project. Indicatively performing a high level review Council has \$5.7M of specific purpose unexpended grant

## Notes to the Financial Statements

for the year ended 30 June 2019

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

funds (refer to note 6C) as at June 30, if implemented in the current year this standard could have resulted in a \$5.7M decrease in income and a corresponding increase in liabilities.

#### **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.

The specific impacts of AASB2018-8 for Council are expected to be immaterial as to date Council has not determined any instances where it is the lessee of a property for concessional lease payments.

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 applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

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

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Restated Total assets held (current and non-current) <sup>1</sup>	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Functions or activities</b>										
A Region of Progressive leadership	2,935	2,674	11,393	9,701	(8,458)	(7,027)	608	162	14,101	34,264
A Spirit of Community	18,070	13,431	29,706	30,831	(11,636)	(17,400)	10,298	6,635	135,359	142,690
A Prosperous Region	2,844	2,171	5,966	5,327	(3,122)	(3,156)	541	8	56,224	81,600
An Accessible Region	32,449	25,879	38,710	38,968	(6,261)	(13,089)	12,043	6,426	746,340	776,875
A Region for the Future	72,545	65,058	51,079	53,612	21,466	11,446	2,409	814	784,632	622,296
General Purpose Income	47,133	45,890	–	–	47,133	45,890	10,524	10,205	–	–
<b>Total functions and activities</b>	<b>175,976</b>	<b>155,103</b>	<b>136,854</b>	<b>138,439</b>	<b>39,122</b>	<b>16,664</b>	<b>36,423</b>	<b>24,250</b>	<b>1,736,656</b>	<b>1,657,725</b>

(1) Stormwater infrastructure restated refer to note 15b

## 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:

#### **A Region of Progressive leadership**

- \* Engagement with the community in strategic processes
- \* Provision of effective customer and approvals services
- \* Strong leadership and management through governance and administrative services
- \* Strong advocacy for regional matters

#### **A Spirit of Community**

- \* Enhance and promote the character and quality of centres
- \* Value and support our regions character, culture and heritage
- \* Promote an active, healthy community through parks, fields and facilities
- \* Provide a safe environment and effective emergency services

#### **A Prosperous Region**

- \* Promote a strong and diverse economic base
- \* Support and provide diverse tourism opportunities
- \* Promote lifelong education and learning opportunities

#### **An Accessible Region**

- \* Provision of a quality network of roads, bridges, drainage, footpaths and cycleways
- \* Facilitate quality air services
- \* Promote public and community transport options
- \* Functional communications and technology access

#### **A Region for the Future**

- \* Provide industry best practice water and wastewater infrastructure services
- \* Provide and promote sustainable waste management
- \* Promote protection of the natural environment and efficient use of resources
- \* Implement sound asset and land planning

#### **General Purpose Income**

- \* Income that cannot be directly attributed to a specific function

# 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	23,711	22,996
Farmland	5,633	5,531
Mining	18	17
Business	5,711	5,553
Less: pensioner rebates (mandatory)	(900)	(893)
<b>Rates levied to ratepayers</b>	<b>34,173</b>	<b>33,204</b>
Pensioner rate subsidies received	495	496
<b>Total ordinary rates</b>	<b>34,668</b>	<b>33,700</b>
<b>Annual charges</b>		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	7,430	7,173
Stormwater management services	601	598
Water supply services	6,920	6,690
Sewerage services	18,425	17,782
Waste management services (non-domestic)	904	897
Less: pensioner rebates (mandatory)	(999)	(988)
<b>Annual charges levied</b>	<b>33,281</b>	<b>32,152</b>
Pensioner subsidies received:		
– Water	199	196
– Sewerage	182	180
– Domestic waste management	168	168
<b>Total annual charges</b>	<b>33,830</b>	<b>32,696</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>68,498</b>	<b>66,396</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	12,496	13,493
Sewerage services	2,831	2,645
<b>Total specific user charges</b>	<b>15,327</b>	<b>16,138</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	1,480	1,532
Private works – section 67	1,117	636
Regulatory/ statutory fees	418	472
<b>Total fees and charges – statutory/regulatory</b>	<b>3,015</b>	<b>2,640</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aerodrome	5,032	4,795
Cemeteries	310	253
Community Services	372	475
Parking fees	419	450
RMS charges (state roads not controlled by Council)	7,335	9,854
Swimming centres	308	273
Country music festival	2,002	1,933
Hire charge council facilities	2,326	2,506
Sewerage services	1,159	939
Sporting facilities	487	560
Waste/recycling depot	5,948	4,258
Venue ticket sales	154	140
Other	365	319
<b>Total fees and charges – other</b>	<b>26,217</b>	<b>26,755</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>44,559</b>	<b>45,533</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)	331	335
– Cash and investments	4,302	4,060
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>4,633</b>	<b>4,395</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	274	272
General Council cash and investments	1,772	1,860
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	173	161
– Section 64	794	710
Water fund operations	699	558
Sewerage fund operations	921	834
<b>Total interest and investment revenue</b>	<b>4,633</b>	<b>4,395</b>

### Accounting policy for interest and investment revenue

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

# Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>(d) Other revenues</b>			
Rental income – investment property	11	469	576
Rental income – other council properties		632	679
Fines		258	271
Commissions and agency fees		455	538
Insurance claims recoveries		129	14
Sales – general		266	492
Antenna leases		286	238
Insurance rebate		130	147
Consultancy services		628	562
Sponsorship income		33	36
Container Deposit Scheme		286	–
Other		198	173
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>3,770</u></b>	<b><u>3,726</u></b>

### Accounting policy for other revenue

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

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

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

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

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

# Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance	5,166	4,937	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance	5,358	5,268	–	–
<b>Total general purpose</b>	<b>10,524</b>	<b>10,205</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Astronomy Centre	–	–	122	–
Bushfire and emergency services	316	357	24	195
CCTV Security	–	–	526	–
Community care	484	778	–	–
Cycleways	–	–	–	51
Disaster mitigation and rehabilitation 1	(1)	(365)	–	–
Drought Communities Programme	557	–	443	–
Heritage and cultural	356	318	–	–
Local Infrastructure Renewal Scheme	80	94	–	–
Northern Inland Centre of Sporting Excellence	–	–	7,443	3,912
Noxious weed control	112	116	–	–
Organic Recycling Facility	–	–	1,500	–
Other – Woolomin Water Supply	–	31	–	–
Park upgrades	–	–	1,233	380
Sewerage services	–	–	–	600
Street lighting	169	172	–	–
Training	34	18	–	–
Transport (airport)	–	–	3,359	2,247
Transport (other roads and bridges funding)	404	55	6,233	2,208
Transport (roads to recovery)	1,515	2,162	–	–
Truck Wash - Tamworth Regional Livestock Exchange	369	–	–	–
Waste Facilities	196	–	–	–
Other	296	168	129	548
<b>Total specific purpose</b>	<b>4,887</b>	<b>3,904</b>	<b>21,012</b>	<b>10,141</b>
<b>Total grants</b>	<b>15,411</b>	<b>14,109</b>	<b>21,012</b>	<b>10,141</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	13,170	13,132	6,120	2,957
– State funding	2,226	976	14,830	7,025
– Other funding	15	1	62	159
	<b>15,411</b>	<b>14,109</b>	<b>21,012</b>	<b>10,141</b>

1 Unused grants returned

# 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		–	–	1,087	744
S 7.12 – fixed development consent levies		–	–	437	200
S 64 – water supply contributions		–	–	1,637	1,295
S 64 – sewerage service contributions		–	–	601	570
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>3,762</b>	<b>2,809</b>
<b>Total developer contributions 1</b>	24	<b>–</b>	<b>–</b>	<b>3,762</b>	<b>2,809</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Other councils – joint works/services		638	619	–	22
RMS contributions (regional roads, block grant)		2,398	2,350	–	–
Water supplies (excl. section 64 contributions)		–	–	10	2
Other		28	31	12	17
Other donated art works		–	–	–	177
Other – Energy Saving Certificates – Street Lights		–	–	–	141
Capital works		–	–	111	20
Sewage Services		74	–	2	–
Donations		9	9	–	–
Kerb and Gutter		–	–	32	–
<b>Total other contributions – cash</b>		<b>3,147</b>	<b>3,009</b>	<b>167</b>	<b>379</b>
<b>Non-cash contributions</b>					
Dedications – subdivisions (other than by s7.11)		–	–	8,121	3,870
NSW State Government - 25 Fitzroy Street		–	–	1,280	–
NSW State Government - Crown Land		–	–	1,616	–
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>11,017</b>	<b>3,870</b>
<b>Total other contributions</b>		<b>3,147</b>	<b>3,009</b>	<b>11,184</b>	<b>4,249</b>
<b>Total contributions</b>		<b>3,147</b>	<b>3,009</b>	<b>14,946</b>	<b>7,058</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>18,558</b>	<b>17,118</b>	<b>35,958</b>	<b>17,199</b>

### Accounting policy for grants and contributions

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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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.

(1) Total income differs to note 24 due to internal payments

# Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '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:**

#### Operating grants

Unexpended at the close of the previous reporting period	1,535	2,481
<b>Add:</b> operating grants recognised in the current period but not yet spent	1,528	542
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(566)	(1,488)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>2,497</b>	<b>1,535</b>

#### Capital grants

Unexpended at the close of the previous reporting period	2,090	1,323
<b>Add:</b> capital grants recognised in the current period but not yet spent	2,526	1,250
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(1,351)	(483)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>3,265</b>	<b>2,090</b>

#### Contributions

Unexpended at the close of the previous reporting period	36,925	34,484
<b>Add:</b> contributions recognised in the current period but not yet spent	4,801	3,679
<b>Less:</b> contributions recognised in a previous reporting period now spent	(2,151)	(1,238)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>39,575</b>	<b>36,925</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	36,128	35,427
Travel expenses	596	614
Employee leave entitlements (ELE)	7,312	6,819
Superannuation	4,168	4,056
Workers' compensation insurance	1,103	839
Fringe benefit tax (FBT)	177	143
Payroll tax	299	305
Training costs (other than salaries and wages)	903	652
Other	307	270
<b>Total employee costs</b>	<b>50,993</b>	<b>49,125</b>
Less: capitalised costs	(2,885)	(3,044)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>48,108</b>	<b>46,081</b>
Number of 'full-time equivalent' employees (FTE) at year end	540	537

### 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 19 for more information.

\$ '000	Notes	2019	2018
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		4,355	4,511
<b>Total interest bearing liability costs expensed</b>		<b>4,355</b>	<b>4,511</b>
<b>(ii) Other borrowing costs</b>			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	14	148	401
<b>Total other borrowing costs</b>		<b>148</b>	<b>401</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>4,503</b>	<b>4,912</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	24,990	26,183
Contractor and consultancy costs	8,122	8,807
Auditors remuneration <sup>2</sup>	185	117
<b>Legal expenses:</b>		
– Legal expenses: planning and development	522	10
– Legal expenses: other	133	154
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	1,006	1,035
<b>Total materials and contracts</b>	<b>34,958</b>	<b>36,306</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>34,958</b>	<b>36,306</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:

Buildings	706	679
Office Equipment	300	356
	<b>1,006</b>	<b>1,035</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

#### Non NSW Auditor-General audit firms

##### (i) Audit and other assurance services

Audit and review of financial statements	94	83
Other audit and assurance services – internal auditors	91	34
<b>Remuneration for audit and other assurance services</b>	<b>185</b>	<b>117</b>

#### Total remuneration of non NSW Auditor-General audit firms

	<b>185</b>	<b>117</b>
<b>Total Auditor remuneration</b>	<b>185</b>	<b>117</b>

# Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		3,460	3,403
Office equipment		6	19
Furniture and fittings		396	460
Land improvements (depreciable)		476	423
<b>Infrastructure:</b>			
– Buildings – non-specialised		1,209	1,619
– Buildings – specialised		264	187
– Other structures		1,629	1,766
– Roads		9,797	8,621
– Bridges		948	941
– Footpaths		369	284
– Stormwater drainage		2,371	2,614
– Water supply network		4,950	4,756
– Sewerage network		5,864	5,747
– Swimming pools		130	124
– Other open space/recreational assets		887	911
<b>Other assets:</b>			
– Library books		243	252
– Other		164	148
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	10(a),14	605	628
– Quarry assets	10(a),14	7	7
Intangible assets	12	57	74
<b>Total gross depreciation and amortisation costs</b>		<b>33,832</b>	<b>32,984</b>
Less: capitalised costs		(442)	(372)
<b>Total depreciation and amortisation costs</b>		<b>33,390</b>	<b>32,612</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>			
– Water supply network		754	–
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>754</b>	<b>–</b>
Amounts taken through revaluation reserve		(754)	–
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>–</b>	<b>–</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</u></b>		<b><u>33,390</u></b>	<b><u>32,612</u></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 10 for IPPE assets and Note 12 for intangible assets.

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

# Notes to the Financial Statements

for the year ended 30 June 2019

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

### Impairment of non-financial assets

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

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

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

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

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Advertising	533	515
Bad and doubtful debts	(226)	138
Contributions/levies to other levels of government	2,243	2,103
Councillor expenses – mayoral fee	43	42
Councillor expenses – councillors' fees	178	174
Councillors' expenses (incl. mayor) – other (excluding fees above)	146	138
Donations, contributions and assistance to other organisations (Section 356)	551	370
Electricity and heating	3,375	3,040
Insurance	1,590	1,576
Street lighting	626	727
Telephone and communications	503	585
Sustainability rebates	29	30
Other	69	105
<b>Total other expenses</b>	<b>9,660</b>	<b>9,543</b>
<b>TOTAL OTHER EXPENSES</b>	<b>9,660</b>	<b>9,543</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>Plant and equipment</b>	10(a)		
Proceeds from disposal – plant and equipment		1,659	1,096
Less: carrying amount of plant and equipment assets sold/written off		(1,781)	(1,348)
<b>Net gain/(loss) on disposal</b>		<b>(122)</b>	<b>(252)</b>
<b>Infrastructure</b>	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(5,467)	(9,170)
<b>Net gain/(loss) on disposal</b>		<b>(5,467)</b>	<b>(9,170)</b>
<b>Non-current assets classified as ‘held for sale’</b>	9		
Proceeds from disposal – non-current assets ‘held for sale’		2,915	3,636
Less: carrying amount of ‘held for sale’ assets sold/written off		(3,501)	(3,199)
<b>Net gain/(loss) on disposal</b>		<b>(586)</b>	<b>437</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(6,175)</u></b>	<b><u>(8,985)</u></b>

### Accounting policy for disposal of assets

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

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

# Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	13,875	4,957
<b>Total cash and cash equivalents</b>	<b>13,875</b>	<b>4,957</b>

### Accounting policy for cash and cash equivalents

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

## Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	–	–	16,405	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	85,996	42,000	99,993	42,000
d. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	14,768	–	–	–
<b>Total Investments</b>	<b>100,764</b>	<b>42,000</b>	<b>116,398</b>	<b>42,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>114,639</b>	<b>42,000</b>	<b>121,355</b>	<b>42,000</b>
<b>Financial assets / held to maturity (2018)</b>				
Term deposits	85,996	42,000	99,993	42,000
<b>Total</b>	<b>85,996</b>	<b>42,000</b>	<b>99,993</b>	<b>42,000</b>

	Fair value at 30/06/19	Dividend income recognised during 1/7/18 – 30/6/19
<b>Financial assets designated as at fair value through other comprehensive income</b>		
NSW Treasury Corporation IM Funds	14,768	363
<b>Total</b>	<b>14,768</b>	<b>363</b>

No strategic investments were disposed of during 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

### 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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 normally any changes in fair value are recognised in other comprehensive income (financial asset reserve) and on disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss. Due to the immaterial movement in unit value the amount of \$8,874.50 decrement was offset against the dividend received for the TCorp Investment.

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

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

#### Classification

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

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

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

#### (b) Held to maturity investments

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

# Notes to the Financial Statements

for the year ended 30 June 2019

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

### (c) Loans and receivables

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

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

### (d) Available for sale financial assets

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

### Recognition and de-recognition

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

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

### Impairment of financial assets

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

# 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	114,639	42,000	121,355	42,000
<b>attributable to:</b>				
External restrictions	94,849	42,000	79,585	42,000
Internal restrictions	19,122	–	39,542	–
Unrestricted	668	–	2,228	–
	114,639	42,000	121,355	42,000

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

#### External restrictions – included in liabilities

Specific purpose unexpended loans – general	865	2,497
Specific purpose unexpended loans – water	492	492
Specific purpose unexpended loans – sewer	1,664	1,664

#### External restrictions – included in liabilities

	3,021	4,653
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#### External restrictions – other

Developer contributions – general	6,458	6,610
Developer contributions – water fund	20,459	18,525
Developer contributions – sewer fund	12,672	11,790
Specific purpose unexpended grants	5,293	3,184
Specific purpose unexpended grants-sewer fund	469	441
Water supplies	27,592	24,016
Sewerage services	41,000	33,059
Domestic waste management	18,051	17,878
Deposits, retentions and bonds	1,834	1,429

#### External restrictions – other

	133,828	116,932
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#### Total external restrictions

	136,849	121,585
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#### Internal restrictions

Airport	2,409	1,666
Asset management provisions	1,099	1,595
Car parking	720	777
Central business district	338	457
Central Northern Regional Library	495	518
Community care facilities	895	802
Cultural facilities	287	167
Developer contribution plans – prior need	1,563	1,289
Drainage levy	1,067	1,297
Economic affairs	(759)	723
Employee provisions	2,334	2,371
FAG (General purpose component)	3,180	3,162
FAG (Roads component)	4,386	3,992
Governance provisions	1,341	1,575
Internal Loan from Reserves - Cemetery Extension <sup>1</sup>	(1,625)	–
Internal Loan from Reserves - Pilot Training Facility <sup>1</sup>	(20,000)	–
Internal loan from reserves – Drainage works <sup>1</sup>	(1,649)	(1,856)
Internal loan from reserves – Street light replacement <sup>1</sup>	(1,159)	(1,352)

# Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Local works	714	1,385
Natural disasters provisions	150	1,422
On site sewer management	42	57
Parks and sporting facilities	1,957	525
Pilot Training Facility <sup>1</sup>	(331)	–
Plant replacement	5,820	5,479
Quarry remediation	289	274
Quarry renewal	154	154
Regional Development	1,990	–
Special Rate Variation Asset Renewal	4,237	3,218
Sustainability projects	154	172
Transport provisions	9,024	9,673
<b>Total internal restrictions</b>	<b>19,122</b>	<b>39,542</b>
<b>TOTAL RESTRICTIONS</b>	<b>155,971</b>	<b>161,127</b>

(1) Loan between discretionary General Fund internal reserves as approved by Council

# 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	2,641	389	3,174	380
Interest and extra charges	829	–	1,001	–
User charges and fees	9,472	–	11,275	–
Accrued revenues				
– Interest on investments	1,191	–	1,148	–
– Other income accruals	145	–	111	–
Deferred debtors	2	–	3	–
Government grants and subsidies	3,685	–	3,570	–
Net GST receivable	585	–	326	–
Insurance claim	249	–	43	–
Contributions	73	–	97	–
Other debtors	107	–	201	–
<b>Total</b>	<b>18,979</b>	<b>389</b>	<b>20,949</b>	<b>380</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(354)	–	(839)	–
Interest and extra charges	(154)	–	(381)	–
User charges and fees	(547)	–	(575)	–
<b>Total provision for impairment – receivables</b>	<b>(1,055)</b>	<b>–</b>	<b>(1,795)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>17,924</b>	<b>389</b>	<b>19,154</b>	<b>380</b>

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables (continued)

\$ '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)	1,795	2,015
+ new provisions recognised during the year	118	202
– amounts already provided for and written off this year	(515)	(358)
– amounts provided for but recovered during the year	(343)	(64)
<b>Balance at the end of the period</b>	<b>1,055</b>	<b>1,795</b>

### 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 at fair value, 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 is recognised on an expected credit loss (ECL) basis.

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

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

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

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

Credit losses are measured as the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received.

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, or when it is uneconomical to pursue the debt.

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

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	1,229	–	1,096	–
<b>Total inventories at cost</b>	<b>1,229</b>	<b>–</b>	<b>1,096</b>	<b>–</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>1,229</u></b>	<b><u>–</u></b>	<b><u>1,096</u></b>	<b><u>–</u></b>
(b) Other assets				
Prepayments	826	–	233	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>826</u></b>	<b><u>–</u></b>	<b><u>233</u></b>	<b><u>–</u></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.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. Non-current assets classified as held for sale

### (i) Non-current assets and disposal group assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Non-current assets 'held for sale'</b>				
Land	2,017	–	5,513	–
<b>Total non-current assets 'held for sale'</b>	<b>2,017</b>	<b>–</b>	<b>5,513</b>	<b>–</b>
<b><u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u></b>	<b><u>2,017</u></b>	<b><u>–</u></b>	<b><u>5,513</u></b>	<b><u>–</u></b>

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

\$ '000	2019 Assets 'held for sale'	2018 Assets 'held for sale'
<b>Opening balance</b>	5,513	3,681
Less: carrying value of assets/operations sold	(3,501)	(3,199)
<b>Balance still unsold after 12 months:</b>	<b>2,012</b>	<b>482</b>
Less: assets no longer classified as 'held for sale'	–	(139)
<b>Plus new transfers in:</b>		
– Assets 'held for sale'	–	5,300
– Revaluation Adjustment	–	(130)
– Development costs	5	–
<b>Closing balance of 'held for sale' non-current assets and operations</b>	<b>2,017</b>	<b>5,513</b>

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

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

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

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

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

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

	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019 <sup>2</sup>		
	Gross carrying amount <sup>2</sup>	Accumulated depreciation <sup>2</sup>	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity - ARR)	Adjustments and transfers	Tfrs from/(to) investment properties	Revaluation increments to equity (ARR)	Gross carrying amount <sup>2</sup>	Accumulated depreciation <sup>2</sup>	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	32,716	–	32,716	1,637	33,011	–	–	–	(25,202)	–	–	42,163	–	42,163
Plant and equipment	47,632	(20,672)	26,960	4,290	1,651	(1,695)	(3,460)	–	121	–	–	49,076	(21,209)	27,867
Office equipment	164	(142)	22	–	–	–	(6)	–	–	–	–	164	(148)	16
Furniture and fittings	5,877	(3,648)	2,229	–	23	–	(396)	–	–	–	–	5,901	(4,045)	1,856
<b>Land:</b>														
– Operational land	98,455	–	98,455	–	2,736	–	–	–	1,009	(1,525)	–	100,675	–	100,675
– Community land	18,723	–	18,723	–	1,620	–	–	–	–	–	–	20,344	–	20,344
– Land under roads (post 30/6/08)	1,204	–	1,204	–	453	–	–	–	–	–	19	1,676	–	1,676
Land improvements – depreciable	12,707	(3,737)	8,970	299	154	(5)	(476)	–	54	–	–	13,199	(4,203)	8,996
<b>Infrastructure:</b>														
– Buildings – non-specialised	125,637	(39,076)	86,561	1,015	2,450	(101)	(1,209)	–	383	–	–	128,550	(39,451)	89,099
– Buildings – specialised	36,543	(3,882)	32,661	–	–	–	(264)	–	–	–	–	36,542	(4,146)	32,396
– Other structures	93,865	(65,721)	28,144	10	534	(97)	(1,629)	–	70	–	–	94,304	(67,272)	27,032
– Roads	455,330	(119,510)	335,820	1,370	6,625	(3,522)	(9,797)	–	70,224	–	–	564,322	(163,603)	400,719
– Bridges	103,627	(29,762)	73,865	317	–	(285)	(948)	–	994	–	–	104,366	(30,423)	73,943
– Footpaths	21,056	(9,225)	11,831	11	479	(34)	(369)	–	–	–	–	21,383	(9,465)	11,918
– Stormwater drainage	321,430	(106,570)	214,860	–	4,144	(93)	(2,371)	–	(61,067)	–	35,242	273,871	(83,156)	190,715
– Water supply network	410,100	(189,669)	220,431	348	1,239	(343)	(4,950)	(754)	5,394	–	3,497	422,766	(197,903)	224,863
– Sewerage network	324,791	(97,199)	227,592	2,107	1,175	(1,025)	(5,864)	–	4,652	–	3,593	336,056	(103,824)	232,232
– Swimming pools	11,355	(6,724)	4,631	51	75	–	(130)	–	21	–	–	11,530	(6,884)	4,646
– Other open space/recreational assets	32,431	(15,926)	16,505	–	721	(48)	(887)	–	2,157	–	–	35,220	(16,772)	18,448
<b>Other assets:</b>														
– Library books	1,913	(1,178)	735	–	324	–	(243)	–	–	–	–	2,237	(1,421)	816
– Art collection	3,753	–	3,753	–	30	–	–	–	–	–	–	3,782	–	3,782
– Other	6,557	(1,100)	5,457	–	112	–	(164)	–	–	–	–	6,670	(1,263)	5,407
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>														
– Tip assets	12,737	(7,502)	5,235	–	–	–	(605)	–	1,287	–	–	14,025	(8,107)	5,918
– Quarry assets	266	(139)	127	–	–	–	(7)	–	–	–	–	266	(147)	119
<b>Total Infrastructure, property, plant and equipment</b>	<b>2,178,869</b>	<b>(721,382)</b>	<b>1,457,487</b>	<b>11,455</b>	<b>57,556</b>	<b>(7,248)</b>	<b>(33,775)</b>	<b>(754)</b>	<b>97</b>	<b>(1,525)</b>	<b>42,351</b>	<b>2,289,088</b>	<b>(763,442)</b>	<b>1,525,646</b>

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

(2) Restated refer to Note 15b

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

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

	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>													
Capital work in progress	43,580	—	43,580	4,220	14,734	—	—	(29,818)	—	—	32,716	—	32,716
Plant and equipment	47,002	(21,388)	25,614	3,129	1,997	(1,330)	(3,403)	953	—	—	47,632	(20,672)	26,960
Office equipment	292	(251)	41	—	—	—	(19)	—	—	—	164	(142)	22
Furniture and fittings	5,683	(3,188)	2,495	—	105	—	(460)	89	—	—	5,877	(3,648)	2,229
<b>Land:</b>													
– Operational land	86,653	—	86,653	—	4,571	—	—	(152)	(5,161)	12,544	98,455	—	98,455
– Community land	18,406	—	18,406	—	165	—	—	152	—	—	18,723	—	18,723
– Land under roads (post 30/6/08)	1,165	—	1,165	—	40	—	—	—	—	—	1,204	—	1,204
Land improvements – depreciable	12,003	(3,850)	8,153	62	617	(29)	(423)	590	—	—	12,707	(3,737)	8,970
<b>Infrastructure:</b>													
– Buildings – non-specialised	113,996	(37,068)	76,928	149	1,316	(89)	(1,619)	317	—	9,559	125,637	(39,076)	86,561
– Buildings – specialised	21,917	(2,119)	19,798	—	8	—	(187)	54	—	12,988	36,543	(3,882)	32,661
– Other structures	90,564	(64,520)	26,044	273	1,225	(23)	(1,766)	2,391	—	—	93,865	(65,721)	28,144
– Roads	446,146	(114,473)	331,673	7,473	1,537	(4,201)	(8,621)	7,959	—	—	455,330	(119,510)	335,820
– Bridges	103,408	(28,863)	74,545	344	—	(112)	(941)	29	—	—	103,627	(29,762)	73,865
– Footpaths	19,541	(8,942)	10,599	133	1,039	—	(284)	344	—	—	21,056	(9,225)	11,831
– Stormwater drainage <sup>2</sup>	316,215	(104,158)	212,057	215	1,469	(146)	(2,614)	3,879	—	—	321,430	(106,570)	214,860
– Water supply network	380,100	(165,126)	214,974	397	1,221	(3,047)	(4,756)	9,171	—	2,471	410,100	(189,669)	220,431
– Sewerage network	308,515	(73,497)	235,018	68	1,421	(1,505)	(5,747)	1,501	—	(3,164)	324,791	(97,199)	227,592
– Swimming pools	11,187	(6,600)	4,587	33	81	—	(124)	54	—	—	11,355	(6,724)	4,631
– Other open space/recreational assets	32,561	(15,652)	16,909	29	398	(36)	(911)	116	—	—	32,431	(15,926)	16,505
<b>Other assets:</b>													
– Library books	1,587	(926)	661	—	387	—	(252)	(61)	—	—	1,913	(1,178)	735
– Other	5,246	(960)	4,286	—	—	—	(148)	1,319	—	—	6,557	(1,100)	5,457
– Art collection	3,551	—	3,551	—	182	—	—	20	—	—	3,753	—	3,753
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>													
– Tip assets	11,652	(6,874)	4,778	—	—	—	(628)	1,085	—	—	12,737	(7,502)	5,235
– Quarry assets	266	(132)	134	—	—	—	(7)	—	—	—	266	(139)	127
<b>Total Infrastructure, property, plant and equipment</b>	<b>2,081,236</b>	<b>(658,587)</b>	<b>1,422,649</b>	<b>16,525</b>	<b>32,513</b>	<b>(10,518)</b>	<b>(32,910)</b>	<b>(8)</b>	<b>(5,161)</b>	<b>34,398</b>	<b>2,178,869</b>	<b>(721,382)</b>	<b>1,457,487</b>

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

(2) The opening figures have been restated refer to Note 15(b)

# Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

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

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

<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	40		

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

### Land under roads

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### **Crown reserves**

The Crown Land Management Act 2016 came into force 1/7/2018 authorising appointed councils to manage Crown Reserves as if they were public land under the Local Government Act 1993. Council staff are reviewing the schedule of land received by the NSW Department of Industry - Land and Water Division, to verify Council's control of each land parcel and determine an appropriate value for each asset; this process will take some time to complete. Council intends to take up complying parcels of land when the relevant determinations have been made. As at 30/6/2019 Council recognised an additional \$1,615,500.00 of Crown Reserves in the asset category Community Land.

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**

Section 119 of the *Rural Fire Services Act 1997 (NSW)*, requires "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".

After consideration of all elements of control for accounting purposes however, Council is of the opinion that control lies with the Rural Fire Service and does not recognise any fire fighting equipment acquired from the fire fighting fund.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10(b). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2019	2018
(i) Impairment losses recognised direct to equity (ARR):			
Water Infrastructure - storm damage to reservoir roof located at One Tree Hill	10(a)	754	—
<b>Total impairment losses</b>		<b>754</b>	<b>—</b>
<b><u>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</u></b>		<b><u>754</u></b>	<b><u>—</u></b>

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Investment property

\$ '000	2019	2018
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### (a) Investment property at fair value

<b>Investment property on hand</b>	<b>29,875</b>	<b>8,410</b>
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#### Reconciliation of annual movement:

<b>Opening balance</b>	8,410	6,450
– Acquisitions	20,000	1,100
– Capitalised expenditure – this year	–	124
– Net gain/(loss) from fair value adjustments	(60)	736
– Transfers from/(to) owner occupied (Note 10)	1,525	–
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>29,875</b>	<b>8,410</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 2019 revaluations were based on independent assessments made by:  
Preston Rowe Paterson Registered Valuer No 186

### (c) 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	247	491
Later than 1 year but less than 5 years	181	65
Later than 5 years	96	–
<b>Total minimum lease payments receivable</b>	<b>524</b>	<b>556</b>

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

#### Rental income from investment property:

– Minimum lease payments	469	576
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#### Direct operating expenses on investment property:

– that did not generate rental income	(292)	(255)
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<b>Net revenue contribution from investment property</b>	<b>177</b>	<b>321</b>
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plus:

<b>Fair value movement for year</b>	<b>(60)</b>	<b>736</b>
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<b>Total income attributable to investment property</b>	<b>117</b>	<b>1,057</b>
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#### 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.

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.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Intangible assets

\$ '000	2019	2018
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Intangible assets are as follows:

### Opening values at 1 July

Gross book value	2,357	1,663
Accumulated amortisation	(260)	(289)
<b>Net book value – opening balance</b>	<b>2,097</b>	<b>1,374</b>

### Movements for the year

– Purchases	71	797
– Amortisation charges	(57)	(74)

### Closing values at 30 June

Gross book value	2,428	2,357
Accumulated amortisation	(317)	(260)

### TOTAL INTANGIBLE ASSETS – NET BOOK VALUE

<b>2,111</b>	<b>2,097</b>
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The net book value of intangible assets represents:

– Software	327	313
– Water Licences	1,784	1,784
	<b>2,111</b>	<b>2,097</b>

### Accounting policy for intangible assets

#### IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

#### Water Licences

Costs incurred in acquiring water licences (excluding town water licences) that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to water licences.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	8,752	–	7,216	–
Accrued expenses:				
– Borrowings	156	–	164	–
– Salaries and wages	865	–	795	–
– Other expenditure accruals	243	–	70	–
Security bonds, deposits and retentions	1,566	–	1,256	–
Ticket monies held	257	–	226	–
Other	701	–	590	–
<b>Total payables</b>	<b>12,540</b>	<b>–</b>	<b>10,317</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	332	–	897	–
<b>Total income received in advance</b>	<b>332</b>	<b>–</b>	<b>897</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	6,319	65,834	5,931	70,653
<b>Total borrowings</b>	<b>6,319</b>	<b>65,834</b>	<b>5,931</b>	<b>70,653</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>19,191</u></b>	<b><u>65,834</u></b>	<b><u>17,145</u></b>	<b><u>70,653</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 20.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	1,096	879
<b>Total payables and borrowings</b>	<b>1,096</b>	<b>879</b>

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

	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	76,584	(4,431)	–	–	–	72,153
<b>TOTAL</b>	<b>76,584</b>	<b>(4,431)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>72,153</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	77,580	(996)	–	–	–	76,584
<b>TOTAL</b>	<b>77,580</b>	<b>(996)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>76,584</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>	1,000	1,000
Credit cards/purchase cards	620	620
<b>Total financing arrangements</b>	<b>1,620</b>	<b>1,620</b>

#### Drawn facilities as at balance date:

– Credit cards/purchase cards	–	5
<b>Total drawn financing arrangements</b>	<b>–</b>	<b>5</b>

#### Undrawn facilities as at balance date:

– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	620	615
<b>Total undrawn financing arrangements</b>	<b>1,620</b>	<b>1,615</b>

(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.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Payables and borrowings (continued)

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

### 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. 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 14. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	4,115	–	4,019	–
Long service leave	5,765	218	5,585	179
<b>Sub-total – aggregate employee benefits</b>	<b>9,880</b>	<b>218</b>	<b>9,604</b>	<b>179</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	9,286	–	8,616
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>9,286</b>	<b>–</b>	<b>8,616</b>
<b>TOTAL PROVISIONS</b>	<b>9,880</b>	<b>9,504</b>	<b>9,604</b>	<b>8,795</b>

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Provisions (continued)

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

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

Provisions – employees benefits	7,904	5,720
	<u>7,904</u>	<u>5,720</u>

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

\$ '000	ELE provisions		
	Annual leave	Long service leave	Total
<b>2019</b>			
At beginning of year	4,019	5,764	9,783
Additional provisions	2,978	1,191	4,169
Amounts used (payments)	(2,905)	(1,136)	(4,041)
Remeasurement effects	23	164	187
Total ELE provisions at end of period	<u>4,115</u>	<u>5,983</u>	<u>10,098</u>
<b>2018</b>			
At beginning of year	3,894	5,939	9,833
Additional provisions	2,905	434	3,339
Amounts used (payments)	(2,837)	(1,226)	(4,063)
Remeasurement effects	57	617	674
Total ELE provisions at end of period	<u>4,019</u>	<u>5,764</u>	<u>9,783</u>

\$ '000	Other provisions	
	Asset remediation	Total
<b>2019</b>		
At beginning of year	8,616	8,616
<b>Changes to provision:</b>		
– Revised costs	1,287	1,287
Amounts used (payments)	(765)	(765)
Unwinding of discount	148	148
Total other provisions at end of period	<u>9,286</u>	<u>9,286</u>
<b>2018</b>		
At beginning of year	8,176	8,176
– Revised costs	(1,085)	(1,085)
Amounts used (payments)	(1,046)	(1,046)
Unwinding of discount	401	401
Other	2,170	2,170
Total other provisions at end of period	<u>8,616</u>	<u>8,616</u>

### Nature and purpose of non-employee benefit provisions

#### Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate council owned tips and quarries.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Provisions (continued)

### 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 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

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Provisions (continued)

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

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

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

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

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

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

Council has based its landfill rehabilitation provision on the use of Phytocapping rather than the EPS prescribed clay caps. Council is presently a trial site endorsed by the EPA to test Phytocapping effectiveness but the EPA has not given approval that this met EPA licence requirements; there is a risk if the EPA does not approve the technology that Council's provisions are understated. Any changes in this risk will be reflected in future financial statements.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

### (a) Nature and purpose of reserves

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

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

### (b) Correction of errors relating to a previous reporting period

#### Nature of prior-period error

During 2018/19 Council staff undertook an extensive revaluation of Stormwater assets resulting in the capitalisation of existing assets not previously recognised; in correcting this omission adjustments have been made to Accumulated Surplus and IPPE.

The errors identified have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to the accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

### Changes to the opening Statement of Financial Position at 1 July 2017

#### Statement of Financial Position

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Understatement of IPPE	1,394,267	28,382	1,422,649
<b>Total assets</b>	<b>1,581,268</b>	<b>28,382</b>	<b>1,609,650</b>
Understatement of Accumulated Surplus	1,064,638	28,382	1,093,020
<b>Total equity</b>	<b>1,472,214</b>	<b>28,382</b>	<b>1,500,596</b>

### Adjustments to the comparative figures for the year ended 30 June 2018

#### Statement of Financial Position

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Understatement of IPPE	1,429,105	28,382	1,457,487
<b>Total assets</b>	<b>1,629,343</b>	<b>28,382</b>	<b>1,657,725</b>
Understatement of Accumulated Surplus	1,081,180	28,382	1,109,562
<b>Total equity</b>	<b>1,523,146</b>	<b>28,382</b>	<b>1,551,528</b>

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

– AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

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

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

#### (d) Changes in accounting policies due to adoption of new accounting standards (retrospective)

##### **Changes in accounting policies due to adoption of new accounting accounting standard (retrospective)**

The only impact on Council's accounting policies as a result of the adoption of new accounting standards was the reclassification of Council's investments in T-Corp to Fair value through other comprehensive income as a result of the introduction of AASB 9.

The above change/s in accounting policy/ies had no impact (OR an immaterial impact) on the Statement of Financial Position at 1 July, 2017.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
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### (a) Reconciliation of cash assets

Total cash and cash equivalent assets	6(a)	13,875	4,957
<b>Balance as per the Statement of Cash Flows</b>		<b>13,875</b>	<b>4,957</b>

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

<b>Net operating result from Income Statement</b>		39,122	16,664
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		33,390	32,612
Net losses/(gains) on disposal of assets		6,175	8,985
Non-cash capital grants and contributions		(11,017)	(3,870)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment property		60	(736)
– Other (land held for sale)		–	(130)
Unwinding of discount rates on reinstatement provisions		148	401
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		1,960	(4,147)
Increase/(decrease) in provision for impairment of receivables		(740)	(220)
Decrease/(increase) in inventories		(133)	27
Decrease/(increase) in other current assets		(593)	(180)
Increase/(decrease) in payables		1,536	(2,337)
Increase/(decrease) in accrued interest payable		(8)	(4)
Increase/(decrease) in other accrued expenses payable		243	(71)
Increase/(decrease) in other liabilities		(113)	161
Increase/(decrease) in provision for employee benefits		315	(50)
Increase/(decrease) in other provisions		(765)	39
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>69,580</b>	<b>47,144</b>

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

Other dedications		11,017	3,870
<b>Total non-cash investing and financing activities</b>		<b>11,017</b>	<b>3,870</b>

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Interests in other entities

### 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.

Name of Operation/Entity	Principal activity
Central Northern Regional Libraries	Provision of library resources & services for its member Councils

Interests in Subsidiary \$ '000	Ownership 2019	Ownership 2018	Voting rights 2019	Voting rights 2018
Council's interest in Subsidiary	62%	62%	62%	62%
Non-controlling interest in Subsidiary	38%	38%	38%	38%

#### The nature and extent of significant restrictions relating to the Subsidiary

All of subsidiary funds are held in Councils bank account, use of these funds is governed by a budget set annually. Assets are predominantly library resources which are distributed and exchanged between members as and when required. No dividends or distributions are paid.

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

Withdrawal of government grant funding would expose Council to a loss, however it is to be expected that member Councils would be notified in a timely manner to prevent this from happening.

#### Other disclosures

Councils financial support of the subsidiary will continue indefinitely into the future. The level of financial support is linked to the Councils average population numbers and available grant funding.

#### Reporting dates of Subsidiary

Reporting dates of the subsidiary are in line with that of Tamworth Regional Council.

### Summarised financial information for the Subsidiary

\$ '000	2019	2018
<b>Summarised statement of comprehensive income</b>		
Revenue	1,633	1,841
Expenses	(1,490)	(1,519)
<b>Profit for the period</b>	<b>143</b>	<b>322</b>
<b>Total comprehensive income</b>	<b>143</b>	<b>322</b>
Non-controlling interest share - 38%	55	122
<b>Summarised statement of financial position</b>		
Current assets	508	730
Non-current assets	1,221	856
<b>Total assets</b>	<b>1,729</b>	<b>1,586</b>
Non-controlling interest share - 38%	657	602

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Interests in other entities (continued)

### Summarised statement of cash flows

Cash flows from operating activities	(222)	190
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(222)</b>	<b>190</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.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Commitments

\$ '000	2019	2018
<b>Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	737	–
Cemetery Infrastructure	909	–
Information Technology Infrastructure	128	–
Other – Airport Infrastructure	–	1,003
Parks and Recreation	1,382	1,528
Plant and equipment	1,672	1,211
Road Construction	1,462	300
Waste Infrastructure	72	196
Water & Sewer Infrastructure	253	116
<b>Total commitments</b>	<b>6,615</b>	<b>4,354</b>
<b>These expenditures are payable as follows:</b>		
Later than one year and not later than 5 years	6,615	4,354
<b>Total payable</b>	<b>6,615</b>	<b>4,354</b>
<b>Sources for funding of capital commitments:</b>		
Externally restricted reserves	756	–
Future grants and contributions	2,371	2,687
Internally restricted reserves	3,308	1,464
Unexpended loans	180	203
<b>Total sources of funding</b>	<b>6,615</b>	<b>4,354</b>

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Contingencies and other assets/liabilities not recognised

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

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

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

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

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

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

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to fund the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 719,168.22 The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Contingencies and other assets/liabilities not recognised (continued)

The amount of additional contributions included in the total employer contribution advised above is \$333,999.96. Council's expected contribution to the plan for the next annual reporting period is \$707,814.56.

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

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

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

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

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

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

\* Plus promotional increases

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

### (ii) Statewide Limited

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

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

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

### (iii) StateCover Limited

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

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

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

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

### (iv) Bank Guarantees

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, as at reporting date these amounts are:

Tamworth Rugby Club Inc. Drawn February 2008, for \$300,000. Balance as at 30/6/2019 is \$184,601.43

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Contingencies and other assets/liabilities not recognised (continued)

At June 30, 2019 Councils guarantee is limited to \$184,601.43

Tamworth Gymnastics Club. Drawn in 2016/17 Financial year. Balance as at 30/6/2019 is \$58,583.67  
Councils guarantee is limited to \$100,000.00

Council does not expect to incur any loss from these guarantees.

#### (v) Other guarantees

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

## 2. Other liabilities

#### (i) Third party claims

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

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

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

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

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

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

## ASSETS NOT RECOGNISED

#### (i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

#### (ii) Infringement notices/fines

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

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

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

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

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Financial risk management

### Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	13,875	4,957	13,875	4,957
Receivables	18,313	19,534	18,313	19,534
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	127,996	141,993	127,996	158,398
<b>Fair value through other comprehensive income</b>				
Investments				
– 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	14,768	–	14,768	–
<b>Fair value through profit and loss</b>				
Investments				
– 'Designated at fair value on initial recognition'	–	16,405	–	–
<b>Total financial assets</b>	<b>174,952</b>	<b>182,889</b>	<b>174,952</b>	<b>182,889</b>
<b>Financial liabilities</b>				
Payables	12,540	10,317	12,540	10,317
Loans/advances	72,153	76,584	72,153	76,584
<b>Total financial liabilities</b>	<b>84,693</b>	<b>86,901</b>	<b>84,693</b>	<b>86,901</b>

Fair value is determined as follows:

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

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

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

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Financial risk management (continued)

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

The risks associated with the instruments held are:

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 1% movement in interest rates	1,597	1,597	1,597	1,597
<b>2018</b>				
Possible impact of a 1% movement in interest rates	1,598	1,598	1,598	1,598

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Financial risk management (continued)

### (b) Credit risk

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

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

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

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

Council makes suitable provision for doubtful receivables as required 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	–	1,791	490	426	323	3,030
<b>2018</b>						
Gross carrying amount	–	1,741	684	565	564	3,554

#### Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	12,914	944	363	226	1,891	16,338
Expected loss rate (%) <sup>1</sup>	0.00%	0.00%	3.86%	9.29%	35.22%	4.29%
<b>ECL provision</b>	–	–	14	21	666	701
<b>2018</b>						
Gross carrying amount	13,697	1,238	502	384	1,954	17,775
Expected loss rate (%) <sup>1</sup>	0.00%	0.00%	3.78%	7.55%	46.47%	5.38%
<b>ECL provision</b>	–	–	19	29	908	956

(1) The ECL provision differs to the amount shown in Note 7 Receivables, due to an impairment provision for rates receivables, the land parcels allowed for are likely to recoup less than the outstanding property debt due to size, accessibility, and location.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Financial risk management (continued)

### (c) Liquidity risk

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

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

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.

\$ '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%	1,566	10,974	–	–	12,540	12,540
Loans and advances	5.76%	–	10,411	39,672	46,636	96,719	72,153
<b>Total financial liabilities</b>		<b>1,566</b>	<b>21,385</b>	<b>39,672</b>	<b>46,636</b>	<b>109,259</b>	<b>84,693</b>
<b>2018</b>							
Trade/other payables	0.00%	1,256	9,061	–	–	10,317	10,317
Loans and advances	5.81%	–	10,293	40,150	54,721	105,164	76,584
<b>Total financial liabilities</b>		<b>1,256</b>	<b>19,354</b>	<b>40,150</b>	<b>54,721</b>	<b>115,481</b>	<b>86,901</b>

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 26 June 2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>REVENUES</b>				
Rates and annual charges	67,346	68,498	1,152	2% <b>F</b>
User charges and fees	35,821	44,559	8,738	24% <b>F</b>
The 24% favourable increase in this revenue stream is largely due to increases in RMS works on state roads (\$3.3M F), water usage (\$2.8M F), Waste (\$1.5M F) and sewer (\$1.0M F) as well as improvements in trade waste discharges of (\$735K F). These increases were offset by lower than budgeted income in aggregate of (\$545K U) in the areas of planning and building, cemeteries and airport.				
Interest and investment revenue	4,060	4,633	573	14% <b>F</b>
When preparing the 18/19 budget for interest and investment revenue a lower interest rate was used than that actually achieved by Council, this resulted in a (\$617K F) outcome, it was offset by less interest income on overdue rates (\$44K U).				
Other revenues	2,966	3,770	804	27% <b>F</b>
The 23% favourable result for other revenue is due to the positive results for the following income streams which were not budgeted for in 18/19; container deposit scheme (\$286K F), insurance rebate (\$130K, F), and commission on venues and information guides of (\$251K, F).				
Operating grants and contributions	17,399	18,558	1,159	7% <b>F</b>
Capital grants and contributions	21,596	35,958	14,362	67% <b>F</b>
Council does not budget for the non-cash developer infrastructure dedications which make up \$7.7M of the (\$10.3M F) improvement on budget; the remaining amount is made up of grant income for the Tamworth Airport (\$3.3M F) which was offset by a decrease of (\$1M U) in cash contributions from developers.				
<b>EXPENSES</b>				
Employee benefits and on-costs	49,588	48,108	1,480	3% <b>F</b>
Borrowing costs	4,838	4,503	335	7% <b>F</b>
Materials and contracts	28,763	34,958	(6,195)	(22)% <b>U</b>
The largest contributor to this variance was increased operational expenditure for the additional \$3.3 M of private works carried out for the RMS (refer to user charges and fees). Other factors which contributed to this variance include \$1M of works coded as capital in the original budget which were subsequently expensed to the Income Statement. Council was also successful in many operational grant funding applications during the year with two of these projects alone totalling \$1.2M.				
Depreciation and amortisation	32,469	33,390	(921)	(3)% <b>U</b>
Other expenses	9,211	9,660	(449)	(5)% <b>U</b>
Net losses from disposal of assets	–	6,175	(6,175)	∞ <b>U</b>

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----
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Due to the uncertainty of this activity Council does not budget for the disposal of assets.

<b>Fair value decrement on investment property</b>	–	60	(60)	∞	<b>U</b>
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Due to the unpredictability of this line item and the fact that it is a non cash movement, Council does not include it in its budget forecasts.

## STATEMENT OF CASH FLOWS

<b>Net cash provided from (used in) operating activities</b>	<b>57,376</b>	<b>69,580</b>	<b>12,204</b>	<b>21%</b>	<b>F</b>
--	---------------	---------------	---------------	------------	----------

The favourable result is predominantly due to increased income by way of User charges and fees (\$9.8M F) and Council receiving more grant funds than were anticipated (\$4.7M F) other increases in income from operating activities whilst significant in aggregate were offset by greater than anticipated expenditure on materials and contracts as outlined above.

<b>Net cash provided from (used in) investing activities</b>	<b>(70,165)</b>	<b>(56,231)</b>	<b>13,934</b>	<b>(20)%</b>	<b>F</b>
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The favourable variance is due to proceeds from the sale of Property Plant and Equipment (\$4.5M F) which council does not budget for and increased proceeds from the redemption of Investments being \$6M greater than anticipated.

<b>Net cash provided from (used in) financing activities</b>	<b>6,166</b>	<b>(4,431)</b>	<b>(10,597)</b>	<b>(172)%</b>	<b>U</b>
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This variation is due to the deferral of loans to the value of \$10.5M to fund works at the Manilla Water Treatment Plant to the 2019/2020 financial year.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as 'held for sale'

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

		Fair value measurement hierarchy				
2019	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	Total Restated (1)
<b>Investment property</b>	11					
468-472 Peel Street		31/03/19	—	4,600	—	4,600
474 Peel Street		31/03/19	—	1,600	—	1,600
561 Peel Street		31/03/19	—	1,050	—	1,050
218 Peel Street		31/03/19	—	1,100	—	1,100
Pilot Training Facility		17/01/18	—	—	21,525	21,525
<b>Total investment property</b>			<b>—</b>	<b>8,350</b>	<b>21,525</b>	<b>29,875</b>
<b>Infrastructure, property, plant and equipment</b>	10(a)					
Plant and equipment		30/06/19	—	—	27,867	27,867
Office equipment		30/06/19	—	—	16	16
Furniture and fittings		30/06/19	—	—	1,856	1,856
Land – operational		31/01/18	—	—	100,675	100,675
Land under roads (post 30/6/08)		30/06/19	—	—	1,676	1,676
Land improvements – depreciable		30/06/19	—	—	8,996	8,996
Buildings		31/01/18	—	—	121,495	121,495
Other structures		30/06/19	—	—	50,126	50,126
Road and footpath infrastructure		30/06/15	—	—	486,580	486,580
Stormwater drainage <sup>1</sup>	15b	01/01/19	—	—	190,715	190,715
Water supply network		31/03/18	—	—	224,863	224,863
Sewerage network		31/03/18	—	—	232,232	232,232
Library books		30/06/19	—	—	816	816
Art collection		30/06/14	—	—	3,782	3,782
Other assets		30/06/19	—	—	5,407	5,407
Land – community		30/06/16	—	—	20,344	20,344
<b>Total infrastructure, property, plant and equipment</b>			<b>—</b>	<b>—</b>	<b>1,477,446</b>	<b>1,477,446</b>

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Fair Value Measurement (continued)

		Fair value measurement hierarchy				
2019	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total Restated (1)
<b>Non-current assets classified as 'held for sale'</b>						
	9					
Land		30/06/19	–	2,017	–	2,017
<b>Total NCA's classified as 'held for sale'</b>			<b>–</b>	<b>2,017</b>	<b>–</b>	<b>2,017</b>
		Fair value measurement hierarchy				
2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total Restated (1)
<b>Investment property</b>						
	11					
468-472 Peel Street		31/03/18	–	4,800	–	4,800
474 Peel Street		31/03/18	–	1,530	–	1,530
561 Peel Street		31/03/18	–	980	–	980
218 Peel Street		13/04/18	–	1,100	–	1,100
<b>Total investment property</b>			<b>–</b>	<b>8,410</b>	<b>–</b>	<b>8,410</b>
<b>Infrastructure, property, plant and equipment</b>						
	10(a)					
Plant and equipment		30/06/18	–	–	26,960	26,960
Office equipment		30/06/18	–	–	22	22
Furniture and fittings		30/06/18	–	–	2,229	2,229
Land – operational		31/01/18	–	–	98,455	98,455
Land under roads (post 30/6/08)		30/06/13	–	–	1,204	1,204
Land improvements – depreciable		30/06/18	–	–	8,970	8,970
Buildings		31/01/18	–	–	119,222	119,222
Other structures		30/06/18	–	–	49,280	49,280
Road and footpath infrastructure		30/06/15	–	–	421,516	421,516
Stormwater drainage <sup>1</sup>	15b	30/06/15	–	–	214,860	214,860
Water supply network		31/03/18	–	–	220,431	220,431
Sewerage network		31/03/18	–	–	227,592	227,592
Library books		30/06/18	–	–	735	735
Art collection		30/06/14	–	–	3,753	3,753
Other assets		30/06/18	–	–	5,457	5,457
Land – community		30/06/16	–	–	18,723	18,723
<b>Total infrastructure, property, plant and equipment</b>			<b>–</b>	<b>–</b>	<b>1,419,409</b>	<b>1,419,409</b>
<b>Non-current assets classified as 'held for sale'</b>						
	9					
Land		30/06/18	–	5,513	–	5,513
<b>Total NCA's classified as 'held for sale'</b>			<b>–</b>	<b>5,513</b>	<b>–</b>	<b>5,513</b>

(1) Stormwater values restated - refer Note 15b

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

Council identifies at the end of the reporting period what if any transfers between the different levels of the hierarchies have occurred. During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurement.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 22. Fair Value Measurement (continued)

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

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

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

##### Investment property

Investment properties (other than the Pilot Training Facility) were valued using Level 2 inputs as at March 31, 2019 by B C Sharrock, registered valuer NSW No 186. Observable inputs used in determining the valuation include net rentals in order to provide a rate per m2 this value was then used in conjunction with sales of comparable properties. Unobservable inputs include a limited number of sales evidence on the open market.

The Pilot Training Facility was valued as at January 17, 2018 by B C Sharrock, registered valuer NSW No 186. The valuation was based on the Summation Approach as the primary method of assessment together with the estimated depreciated replacement cost for all the development improvements. As such valuation has been made using Level 3 inputs.

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

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

##### Plant & Equipment, Office Equipment, Furniture & Fittings, Land Improvements, Heritage, Library, Other

All of the above asset categories are valued at cost but are disclosed at fair value in the notes, as such no observable or unobservable inputs were used in determining fair value. This is in accordance with Appendix I of Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No 22. As such valuation has been deemed to be made using Level 3 inputs.

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

##### Operational Land

Operational land values were obtained via external valuation using B C Sharrock, registered valuer NSW No 186. Valuations are as at 31 January, 2018. Observable inputs used in determining the highest and best use valuation include planning and other development constraints and land dimensions. Unobservable inputs used include the potential for alternative uses along with market prices for similar properties when available for an active and liquid market. As there is no active market for identical land products valuation has been made using Level 3 inputs.

Valuations are carried out every five years unless significant movement in similar markets would suggest that a valuation needs to be conducted sooner.

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

##### Community Land

Community land is valued in accordance with the Local government Code of Accounting Practice and Financial Reporting (Guidelines) Update No 25, Appendix E; as such community land has been valued using the NSW Valuer General's valuations. For this reason Council is unable to provide neither observable nor unobservable valuation techniques and valuation is being reported at Level 3.

Changes in the NSW Valuer General's valuations will result in a higher or lower fair value measurement.

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

##### Land Under Roads

Councils recognised land under roads have had Fair Value derived using the Englobo methodology. Using this method there are no observable inputs and the only unobservable input is that of the average site value for each council on a \$ per m2. This average site value is determined using values from NSW Valuer General Valuations.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 22. Fair Value Measurement (continued)

Changes in the NSW Valuer General's valuations will result in a higher or lower fair value measurement.

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

#### **Buildings – Specialised and Non Specialised**

Non-specialised and specialised buildings were valued as at January 31, 2018 using external valuer B C Sharrock, registered valuer NSW No 186. Given that there is no observable market for identical buildings valuation was made using Level 3 inputs. When available valuation has been made using sales of comparable properties, if there were no sales of comparable properties then Fair value was ascertained using the depreciable replacement cost of the various buildings.

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

#### **Other Structures**

Other structures have been valued using the depreciated replacement cost approach where it has been economical to do so taking into account a range of factors including condition, location and construction material. Valuations are undertaken by suitably qualified Council staff from the relevant functional areas. For assets where the cost of valuing the asset exceeds the benefit or the asset value is immaterial in relation to the whole asset class Council has as per the Local Government Code of Accounting Practice and Financial Reporting used the depreciated historical cost as a representation of fair value. All assets within this class have been valued using Level 3 valuation inputs.

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

#### **Roads, Bridges, Footpaths and Stormwater Drainage**

Council's transport infrastructure assets are grouped into various classes, and where necessary further broken down into components. For example roads are broken down into various components including kerb and gutter, wearing course, structure and earthworks. All valuations for these asset classes were undertaken using Council engineers and industry consultants. Valuations were derived using unit rates. These unit rates were calculated for the various asset components using costs from recent works carried out across the Tamworth Regional Council area where possible and Rawlinson's Construction Handbook Edition 32 2014 where recent local costs were not available. Sampling was conducted in various locations to assess asset condition and this information was then extrapolated to determine the fair value of asset components using the depreciated cost method. Fair value was determined using Level 3 valuation inputs for this asset class.

Stormwater assets were revalued during the reporting period. There has been no change to the valuation process during the reporting period.

#### **Water and Sewer Networks**

The water and sewer network of Council is also broken down into components where necessary by Councils engineering staff who conduct the valuation of these assets in house. Sampling of the condition of assets is taken using cameras and site inspections. The results of this condition assessment is used in conjunction with unit rates taken from the NSW Reference Rates Manual as published by the Office of Water to determine the depreciated replacement cost of the various assets that make up these two networks. For those items not covered by the NSW Reference Rates Manual the historical cost is indexed every year by the annual index rate which is also included in the NSW Reference Rates Manual.

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

#### **Art Collection**

Tamworth Regional Council's art collection had fair value determined using an insurance valuation as at June 30, 2014. The valuation was carried out by external valuer Helen Maxwell who is an approved valuer of Art, Australian Government Cultural Gifts and Cultural Bequests. This method of ascertaining fair valuation is in accordance with Appendix I of Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No 22. Given that there are observable or unobservable inputs the fair value has been derived using Level 3.

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

#### **Other Open Space/Recreational Assets**

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Fair Value Measurement (continued)

Other Open Space and recreational assets have been valued using the depreciated replacement cost approach where it has been economical to do so taking into account a range of factors including condition, location and construction material. Valuations are undertaken by suitably qualified Council staff from the relevant functional areas. For assets where the cost of valuing the asset exceeds the benefit or the asset value is immaterial in relation to the whole asset class Council has as per the 2016 Local Government Code of Accounting Practice and Financial Reporting Appendix E used the depreciated historical cost as a representation of fair value. All assets within this class have been valued using Level 3 valuation inputs.

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	Level 3 asset class
<b>2018</b>	
<b>Opening balance</b> <sup>1</sup>	1,374,157
Transfers from/(to) another asset class	23,564
Purchases (GBV)	30,084
Disposals (WDV)	(10,518)
Depreciation and impairment	(32,276)
FV gains – other comprehensive income	34,398
<b>Closing balance</b>	<b>1,419,409</b>
<b>2019</b>	
<b>Opening balance</b> <sup>1</sup>	1,419,409
Transfers from/(to) another asset class	22,487
Purchases (GBV)	34,364
Disposals (WDV)	(7,248)
Depreciation and impairment	(33,917)
FV gains – other comprehensive income	42,351
<b>Closing balance</b>	<b>1,477,446</b>

(1) 2017/2018 opening balance restated refer to note 15b

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

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

	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>		
Plant & Equipment	Depreciated Historical Cost	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Residual Value</li> </ul>
Office Equipment	Depreciated Historical Cost	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining useful life</li> </ul>
Furniture & Fittings	Depreciated Historical Cost	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining useful life</li> </ul>
Land Operational	External Valuation	<ul style="list-style-type: none"> <li>Land Value</li> <li>Land zoning</li> <li>Sales of comparable properties</li> </ul>
Land Community	NSW Valuer General Valuations	<ul style="list-style-type: none"> <li>Land Value</li> </ul>

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Land Under Roads	Englobo Method	• Land Value
Land Improvements	Depreciated Replacement Cost Depreciated Historical Cost	• Gross Replacement Cost • Remaining Useful Life
Buildings	External Valuation	• Gross Replacement Cost • Remaining Useful Life • Residual Value • Sale of Comparable Properties
Other Structures	Depreciated Replacement Cost Depreciated Historical Cost	• Gross Replacement Cost • Remaining Useful Life • Residual Value
Roads, Bridges, Footpaths	Depreciated Replacement Cost	• Gross Replacement Cost • Remaining Useful Life
Stormwater Drainage	Depreciated Replacement Cost	• Gross Replacement Cost • Remaining Useful Life
Water Network	Depreciated Replacement Cost	• Gross Replacement Cost • Remaining Useful Life
Sewer Network	Depreciated Replacement Cost	• Gross Replacement Cost • Remaining Useful Life
Other Assets	Depreciated Replacement Cost	• Gross Replacement Cost • Remaining Useful Life
Art Collections	External Valuation	• Insurance valuation
Library Books	Depreciated Historical Cost	• Gross Replacement Cost • Remaining Useful Life

## (5) Highest and best use

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

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Related Party Transactions

### (a) Key management personnel

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

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

\$ '000	2019	2018
<b>Compensation:</b>		
Short-term benefits	1,724	1,761
Post-employment benefits	172	167
Other long-term benefits	66	62
Termination benefits	70	66
<b>Total</b>	<b>2,032</b>	<b>2,056</b>

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

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
<b>\$ '000</b>						
<b>2019</b>						
Employee expenses for close family members of KMP	1	53	–	Local Government Award	–	–
<b>2018</b>						
Employee expenses for close family members of KMP	1	186	–	Local Government Award	–	–

1 There is currently 1 close family member of council's KMP employed by council under the relevant state award on an arm's length basis.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24. Statement of developer contributions

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

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

## Summary of contributions and levies

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Roads	1,945	489	–	50	(740)	–	1,744	–
Parking	213	–	–	6	–	–	219	–
Open space	354	41	–	9	(256)	–	148	–
Community facilities	176	15	–	4	(73)	–	122	–
Rural Fire Service	269	3	–	7	–	–	279	–
Studies	145	2	–	4	–	–	151	–
Garbage Disposal – Nundle	4	–	–	–	–	–	4	–
Mines & Extractive Industry – Parry	763	114	–	20	(271)	–	626	–
Rural Traffic Generating – Parry	3	–	–	–	–	–	3	–
Cycleways	104	3	–	2	(8)	–	101	–
Tamworth Regional S94 Direct Plan	1,352	360	–	36	(234)	–	1,514	–
Tamworth Regional S94 Indirect Plan	1,061	495	–	28	(134)	–	1,450	–
<b>S7.11 contributions – under a plan</b>	<b>6,389</b>	<b>1,522</b>	<b>–</b>	<b>166</b>	<b>(1,716)</b>	<b>–</b>	<b>6,361</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>6,389</b>	<b>1,522</b>	<b>–</b>	<b>166</b>	<b>(1,716)</b>	<b>–</b>	<b>6,361</b>	<b>–</b>
S7.11 not under plans	198	60	–	6	(169)	–	95	–
S7.4 planning agreements	32	–	–	1	(31)	–	2	–
S64 contributions	30,306	2,245	–	794	(214)	–	33,131	–
<b>Total contributions 1</b>	<b>36,925</b>	<b>3,827</b>	<b>–</b>	<b>967</b>	<b>(2,130)</b>	<b>–</b>	<b>39,589</b>	<b>–</b>

(1) Total contributions received differs to note 3f due to internal transactions

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24. Statement of developer contributions (continued)

	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN								
Parking	213	–	–	6	–	–	219	–
Garbage Disposal – Nundle	4	–	–	–	–	–	4	–
Mines & Extractive Industry – Parry	763	114	–	20	(271)	–	626	–
Rural Traffic Generating – Parry	3	–	–	–	–	–	3	–
Tamworth Regional S7.11 Indirect Plan	1,061	495	–	28	(134)	–	1,450	–
Total	2,044	609	–	54	(405)	–	2,302	–
CONTRIBUTION PLAN – ROADS								
Roads – Hills Plain East	3	–	–	–	–	–	3	–
Roads – Manilla	14	–	–	–	–	–	14	–
Roads – Parry	420	–	–	11	(200)	–	231	–
Roads – Tamworth Urban	962	36	–	25	(419)	–	604	–
Hills Plains Roads	546	453	–	14	(121)	–	892	–
Total	1,945	489	–	50	(740)	–	1,744	–
CONTRIBUTION PLAN – OPEN SPACE								
Drainage Hills Plains	5	–	–	–	–	–	5	–
Open Space – Barraba	8	–	–	–	(8)	–	–	–
Open Space – Manilla – Active	12	–	–	1	(11)	–	2	–
Open Space – Tamworth	44	–	–	1	(43)	–	2	–
Open Space – Tamworth Urban	239	26	–	6	(194)	–	77	–
Hills Plains Open Space & Recreation	46	15	–	1	–	–	62	–
Total	354	41	–	9	(256)	–	148	–
CONTRIBUTION PLAN – COMMUNITY FACILITIES								
Community Facilities – Hills Plain	44	–	–	1	(11)	–	34	–
Community Facilities – Tamworth	11	7	–	–	(9)	–	9	–
Community Facilities – Tamworth Urban	121	8	–	3	(53)	–	79	–

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# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>Total</b>	<b>176</b>	<b>15</b>	<b>–</b>	<b>4</b>	<b>(73)</b>	<b>–</b>	<b>122</b>	<b>–</b>
<b>CONTRIBUTION PLAN – RURAL FIRE SERVICE</b>								
Rural Fire Service – Barraba	19	–	–	1	–	–	20	–
Rural Fire Service – Manilla	7	–	–	–	–	–	7	–
Rural Fire Service – Nundle	10	–	–	–	–	–	10	–
Rural Fire Service – Parry	233	3	–	6	–	–	242	–
<b>Total</b>	<b>269</b>	<b>3</b>	<b>–</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>279</b>	<b>–</b>
<b>CONTRIBUTION PLAN – STUDIES</b>								
Studies – Hills Plain East	32	–	–	1	–	–	33	–
Studies – Tamworth Urban	113	2	–	3	–	–	118	–
<b>Total</b>	<b>145</b>	<b>2</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>151</b>	<b>–</b>
<b>CONTRIBUTION PLAN – CYCLEWAYS</b>								
Tamworth Urban Cycleway	93	1	–	2	(7)	–	89	–
Cycleways – Tamworth	11	2	–	–	(1)	–	12	–
<b>Total</b>	<b>104</b>	<b>3</b>	<b>–</b>	<b>2</b>	<b>(8)</b>	<b>–</b>	<b>101</b>	<b>–</b>
<b>CONTRIBUTION PLAN – TAMWORTH REGIONAL S7.11 DIRECT PLAN</b>								
Tamworth Regional (Roads)	945	245	–	25	(214)	–	1,001	–
Tamworth Regional (Open Space & Rec)	327	85	–	9	(20)	–	401	–
Tamworth Regional (Plan Preparation)	80	30	–	2	–	–	112	–
<b>Total</b>	<b>1,352</b>	<b>360</b>	<b>–</b>	<b>36</b>	<b>(234)</b>	<b>–</b>	<b>1,514</b>	<b>–</b>

## S7.11 Contributions – not under a plan

### Payments Arising From Developer Consents

Drainage	61	–	–	2	–	–	63	–
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# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24. Statement of developer contributions (continued)

	as at 30/6/2018		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>\$ '000</b>									
Roads	106		44	–	3	(54)	–	99	–
Subdivision Works	31		16	–	1	(115)	–	(67)	–
<b>Total</b>	<b>198</b>		<b>60</b>	<b>–</b>	<b>6</b>	<b>(169)</b>	<b>–</b>	<b>95</b>	<b>–</b>

## S7.4 planning agreements

### S7.4 planning agreements

S7.4 Planning Agreements	32		–	–	1	(31)	–	2	–
<b>Total</b>	<b>32</b>		<b>–</b>	<b>–</b>	<b>1</b>	<b>(31)</b>	<b>–</b>	<b>2</b>	<b>–</b>

## S64 contributions

### S64 contributions

Water	18,518		1,639	–	485	(183)	–	20,459	–
Sewer	11,788		606	–	309	(31)	–	12,672	–
<b>Total</b>	<b>30,306</b>		<b>2,245</b>	<b>–</b>	<b>794</b>	<b>(214)</b>	<b>–</b>	<b>33,131</b>	<b>–</b>

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 25. 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	44,619	6,819	18,244
User charges and fees	28,427	13,898	4,092
Interest and investment revenue	2,347	1,465	1,510
Other revenues	3,345	382	88
Grants and contributions provided for operating purposes	19,081	199	255
Grants and contributions provided for capital purposes	31,420	2,874	1,730
<b>Total income from continuing operations</b>	<b>129,239</b>	<b>25,637</b>	<b>25,919</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	43,710	2,572	1,827
Borrowing costs	2,070	591	2,402
Materials and contracts	23,971	9,455	5,633
Depreciation and amortisation	22,388	5,081	5,921
Other expenses	6,242	2,538	909
Net losses from the disposal of assets	4,807	343	1,025
Fair value decrement on investment property	60	–	–
<b>Total expenses from continuing operations</b>	<b>103,248</b>	<b>20,580</b>	<b>17,717</b>
<b>Operating result from continuing operations</b>	<b>25,991</b>	<b>5,057</b>	<b>8,202</b>
<b>Net operating result for the year</b>	<b>25,991</b>	<b>5,057</b>	<b>8,202</b>
<b>Net operating result attributable to each council fund</b>	25,936	5,057	8,202
<b>Net operating result attributable to non-controlling interests</b>	55	–	–
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(5,429)</b>	<b>2,183</b>	<b>6,472</b>

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

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

# Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '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	(487)	5,511	8,851
Investments	38,654	30,095	32,015
Receivables	14,329	2,007	1,588
Inventories	1,229	–	–
Other	806	10	10
Non-current assets classified as 'held for sale'	2,017	–	–
<b>Total current assets</b>	<b>56,548</b>	<b>37,623</b>	<b>42,464</b>
<b>Non-current assets</b>			
Investments	14,124	12,937	14,939
Receivables	389	8,000	8,000
Infrastructure, property, plant and equipment	1,038,843	237,038	249,765
Investment property	29,875	–	–
Intangible assets	327	1,022	762
<b>Total non-current assets</b>	<b>1,083,558</b>	<b>258,997</b>	<b>273,466</b>
<b>TOTAL ASSETS</b>	<b>1,140,106</b>	<b>296,620</b>	<b>315,930</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11,543	787	210
Income received in advance	332	–	–
Borrowings	2,927	807	2,585
Provisions	9,880	–	–
<b>Total current liabilities</b>	<b>24,682</b>	<b>1,594</b>	<b>2,795</b>
<b>Non-current liabilities</b>			
Borrowings	39,888	9,190	32,756
Provisions	9,504	–	–
<b>Total non-current liabilities</b>	<b>49,392</b>	<b>9,190</b>	<b>32,756</b>
<b>TOTAL LIABILITIES</b>	<b>74,074</b>	<b>10,784</b>	<b>35,551</b>
<b>Net assets</b>	<b>1,066,032</b>	<b>285,836</b>	<b>280,379</b>
<b>EQUITY</b>			
Accumulated surplus	772,924	183,568	192,137
Revaluation reserves	292,451	102,268	88,242
<b>Council equity interest</b>	<b>1,065,375</b>	<b>285,836</b>	<b>280,379</b>
<b>Non-controlling interests</b>	<b>657</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>	<b>1,066,032</b>	<b>285,836</b>	<b>280,379</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 25. Financial result and financial position by fund (continued)

### Details of individual internal loans for the year ended 30 June 2019

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Council ID / Ref
Borrower (by purpose)	General - land acquisition
Lender (by purpose)	Water/Sewer
Date of minister's approval	04/08/2016
Date raised	01/03/2016
Term (years)	5
Dates of maturity	28/02/2021
Rate of interest	3.5%
Amount originally raised	16,000,000
Total repaid during year (interest only)	560,000
<b>Principal outstanding at end of year</b>	<b>16,000,000</b>

# Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	<b>9,399</b>	<b>6.71%</b>	5.62%	12.39%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>140,018</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>120,416</b>	<b>68.43%</b>	77.10%	68.70%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>175,976</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>38,171</b>	<b>2.43x</b>	3.86x	4.36x	>1.50x
Current liabilities less specific purpose liabilities	<b>15,682</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>47,292</b>	<b>4.53x</b>	4.35x	5.17x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>10,434</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>3,351</b>	<b>4.71%</b>	4.82%	5.19%	<10.00%
Rates, annual and extra charges collectible	<b>71,120</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>141,871</b>	<b>15.01 mths</b>	15.44 mths	19.40 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	<b>9,449</b>				

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

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

# Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General Indicators <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>	<b>0.66%</b>	(2.57)%	<b>9.88%</b>	19.49%	<b>27.01%</b>	23.82%	>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>	<b>59.41%</b>	70.42%	<b>88.01%</b>	91.53%	<b>92.34%</b>	89.91%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>2.43x</b>	3.86x	<b>23.60x</b>	12.59x	<b>15.19x</b>	8.65x	>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>	<b>3.37x</b>	5.23x	<b>13.14x</b>	7.33x	<b>6.01x</b>	2.75x	>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	<b>3.37%</b>	4.66%	<b>7.53%</b>	7.02%	<b>6.62%</b>	4.35%	<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	<b>5.37</b>	8.01	<b>36.99</b>	34.80	<b>48.50</b>	40.13	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths	<b>mths</b>	mths	<b>mths</b>	mths	mths

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

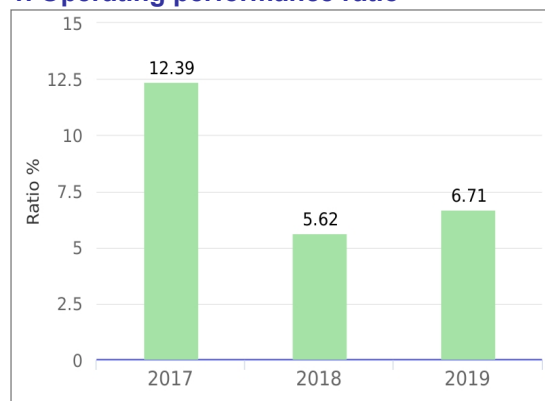
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

# Notes to the Financial Statements

for the year ended 30 June 2019

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

### 1. Operating performance ratio



#### Purpose of operating performance ratio

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

#### Commentary on 2018/19 result

2018/19 ratio 6.71%

Council continues to maintain a reasonable result across all funds, allowing for asset renewal and financial sustainability.

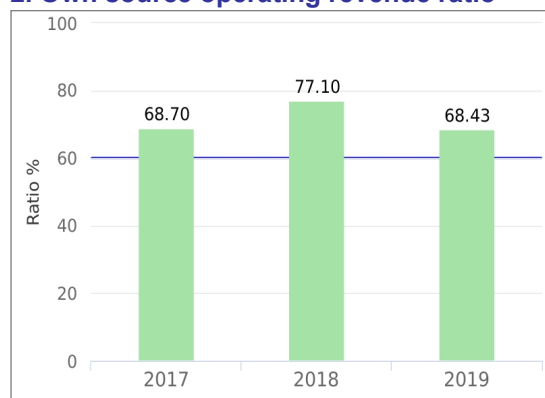
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

### 2. Own source operating revenue ratio



#### Purpose of own source operating revenue ratio

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

#### Commentary on 2018/19 result

2018/19 ratio 68.43%

This ratio is once again above the industry benchmark of 60% which reflects a responsible setting of fees and charges as outlined in council's revenue policy.

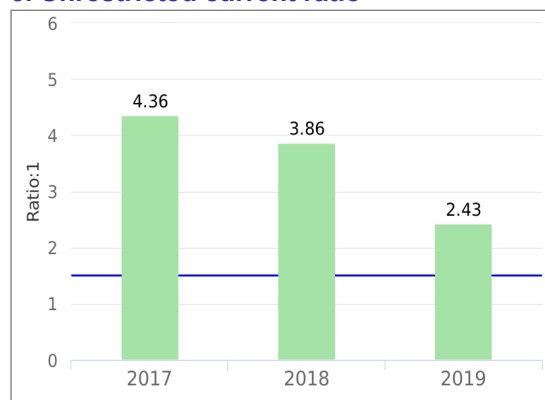
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

### 3. Unrestricted current ratio



#### Purpose of unrestricted current ratio

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

#### Commentary on 2018/19 result

2018/19 ratio 2.43x

The main reason for the reduction is due to an increase in externally restricted cash and a decrease in current cash and investments with funds being utilised to fund capital acquisitions for the Pilot Training Facility; despite this the ratio remains well above the benchmark of 1.5%.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

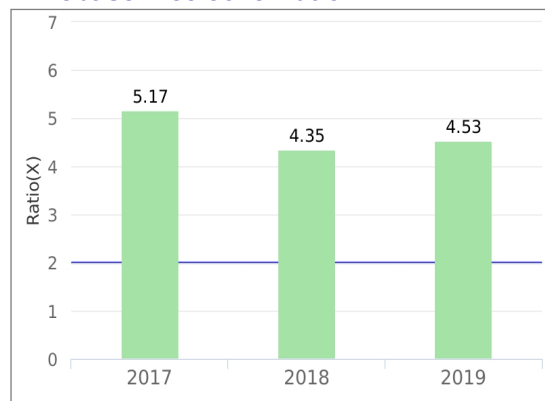
Ratio is outside benchmark

# Notes to the Financial Statements

for the year ended 30 June 2019

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

### 4. Debt service cover ratio



#### Purpose of debt service cover ratio

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

#### Commentary on 2018/19 result

2018/19 ratio 4.53x

Council did take up a new loan in 2018/2019 for public amenities, despite this improvements have been made in this ratio as Council continues to maintain borrowings at a sustainable level.

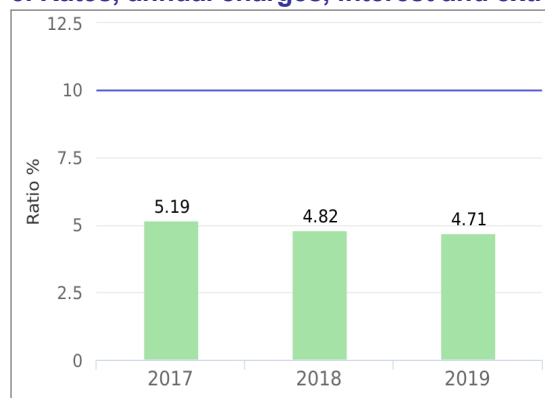
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

### 5. Rates, annual charges, interest and extra charges outstanding percentage



#### Purpose of rates, annual charges, interest and extra charges outstanding

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

#### Commentary on 2018/19 result

2018/19 ratio 4.71%

Council continues to maintain a level of outstanding debts that is well below the industry maximum.

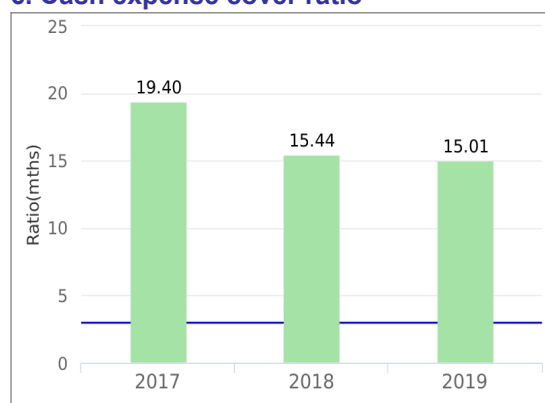
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

### 6. Cash expense cover ratio



#### Purpose of cash expense cover ratio

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

#### Commentary on 2018/19 result

2018/19 ratio 15.01 mths

This ratio is well above the industry minimum, this is due to Council continuing to accumulate reserves for future renewal and remediation works.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 27. Council information and contact details

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**Principal place of business:**

437 Peel Street  
TAMWORTH NSW 2340

**Contact details**

**Mailing Address:**

PO Box 555  
TAMWORTH NSW 2340

**Opening hours:**

Council Office Hours  
8:30am - 5:00pm - Monday to Friday

Branch Office Hours

Monday to Friday (except Public Holidays)

Barraba: 8.30am to 12.00pm and 1.00pm to 4.30pm

Manilla: 8.30am to 4.30pm

Nundle: 8.30am to 12.00pm and 1.00pm to 4.30pm

**Telephone:** 02 6767 5555

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

**Email:** [trc@tamworth.nsw.gov.au](mailto:trc@tamworth.nsw.gov.au)

**Officers**

**General Manager**

Paul Bennett

**Responsible Accounting Officer**

Sherrill Young

**Elected members**

**Mayor**

Col Murray

**Other information**

**ABN:** 52 631 074 450



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Tamworth Regional Council

To the Councillors of the Tamworth Regional Council

### Opinion

I have audited the accompanying financial statements of Tamworth 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:

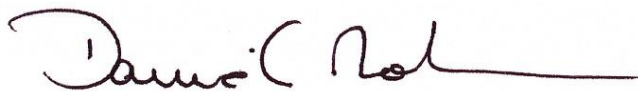
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal flourish extending to the right.

David Nolan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

27 November 2019  
SYDNEY



Cr Col Murray  
Mayor  
Tamworth Regional Council  
PO BOX 555  
TAMWORTH NSW 2340

Contact: David Nolan  
Phone no: 02 9275 7377  
Our ref: D1928278/1792

27 November 2019

Dear Mayor Murray

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

I have audited the general purpose financial statements (GPFS) of Tamworth 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.





**SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

During the 2018–19 asset revaluation process Council identified \$28.4 million of stormwater infrastructure assets not previously capitalised. Given the significant value of the assets it was decided to restate the prior period results (at 1 July 2017 and 30 June 2018) and provide disclosure of the correction in accordance with AASB 108 'Accounting policies, changes in accounting estimates and errors'.

## INCOME STATEMENT

### Operating result

	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	68.5	66.4	 3.1
Grants and contributions revenue	54.5	34.3	 58.9
Operating result for the year	39.1	16.7	 134
Net operating result before capital grants and contributions	3.2	(0.5)	 740

Council's operating result of \$39.1 million was \$22.5 million higher than 2017–18. This was mainly due to increases in grants and contribution income, rate peg increases and an overall decrease in operating expenditure.

Grants and contribution income increased due to extra funding for drought and building better communities projects along with specific capital grants for the new northern inland sporting precinct as well as roads and bridges works. In addition, Council received a significant increase in dedicated assets from land sub-division projects completed by private developers, transfer of a State road to Council and transfer of control of various Crown land parcels to Council during 2018–19.

Operating expenditure decreased overall due to:

- increased employee benefits expense of \$2.0 million due to higher staff levels, award pay increases and related employment costs
- increase in depreciation expenditure of \$778,000 arising from recent infrastructure asset revaluations
- reductions in materials and contact costs of \$1.4 million due to Council diverting resources to additional capital projects
- lower borrowing costs of \$409,000 due to lower interest rates and changes in landfill provision discounting calculations
- lower losses on disposal of assets of \$2.8 million due to change in the mix of asset renewals compared to new asset capital projects.

The net operating result before capital grants and contributions surplus of \$3.2 million was \$3.7 million higher than 2017–18. This is mainly due to the reasons above excluding the increase in capital grants and contributions income.

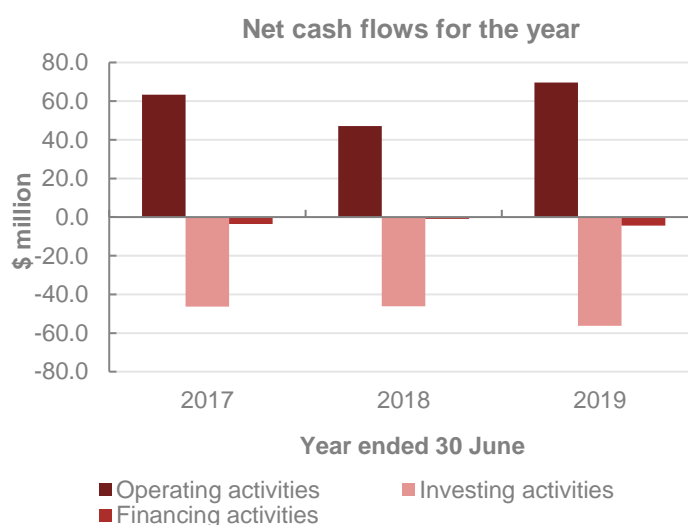
Rates and annual charges revenue of \$68.5 million increased by \$2.1 million or 3.1 percent in 2018–2019. This was due to rate peg increases along with higher annual charges to cover a rise in underlying costs for water, sewer and domestic waste operations.

Grants and contributions revenue of \$54.5 million increased by \$20.2 million or 58.9 per cent in 2018–2019 mainly due to:

- Increase in dedicated asset contributions from completed land sub-divisions of \$4.3 million
- Transfer of a building from the NSW State government of \$1.3 million
- Recognition of Crown land transferred to Council of \$1.6 million
- Increased developer contributions of \$953,000
- Additional capital funding for road and bridge works of \$4.0 million
- Capital grants for the Northern Inland sport precinct of \$3.5 million
- Capital grants for airport upgrades of \$1.1 million
- Various other grant increases of \$3.4 million including drought and building better communities projects.

## STATEMENT OF CASH FLOWS

Cash from operations increased by \$22.5 million due to increases in grants and contributions and other revenues. Cash outflows for investing activities increased by \$10.1 million due to the transfer of investments into cash to fund capital expenditure and the purchase of an investment property. Cash outflows for financing activities increased by \$3.4 million as Council borrowed fewer funds in the 2018–19 year.



## FINANCIAL POSITION

### Cash and investments

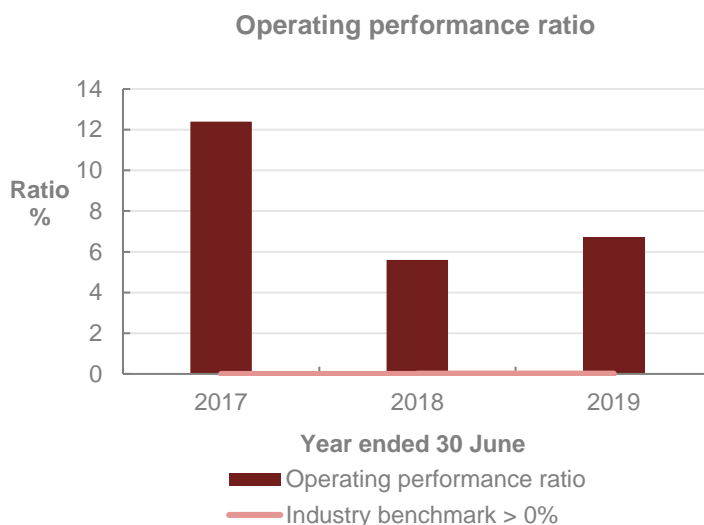
Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	136.8	121.6	External cash restrictions include water, sewer, domestic waste and developer contribution reserves along with and specific purpose grants. External restrictions increased due to increases in cash surpluses for the water and sewer funds and increased levels of developer contributions in the 2018–19 year
Internal restrictions	19.1	39.5	
Unrestricted	0.7	2.2	
<b>Cash and investments</b>	<b>156.6</b>	<b>163.3</b>	Internal restrictions decreased by \$20.4 million as Council spent cash reserves on various projects including acquiring an investment property. Unrestricted cash and investments decreased by \$1.5 million due cash being utilised for projects and IPPE expenditure.

## PERFORMANCE

### Operating performance ratio

The operating performance ratio increased for 2018–19 due to increases in operating revenues.

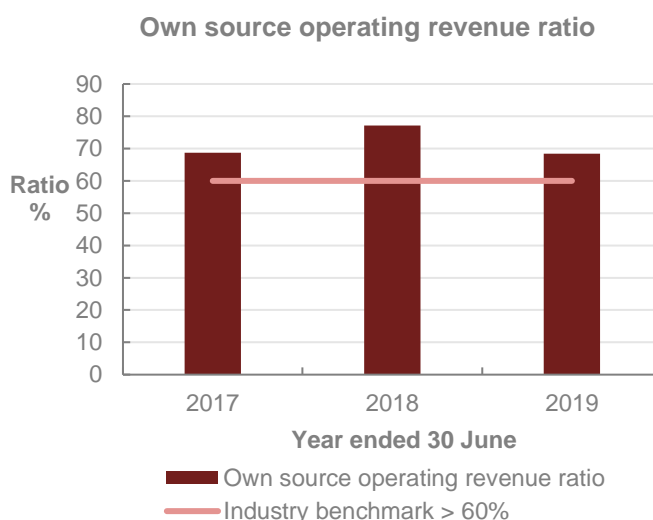
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



### Own source operating revenue ratio

The own source operating revenue ratio decreased compared to 2017–18. Council obtained higher levels of grants and contributions reducing the ratio for the 2018–19 year.

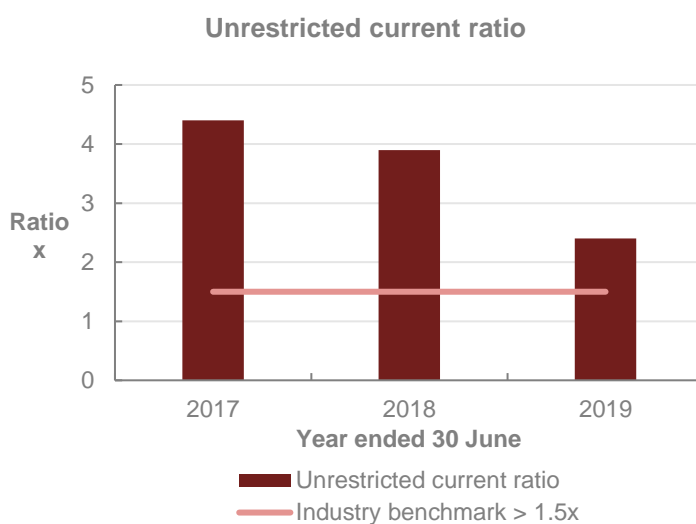
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



### Unrestricted current ratio

The reduction in the unrestricted current ratio is due to Council utilising cash reserves for operations, purchase of an investment property and capital works in 2018–19.

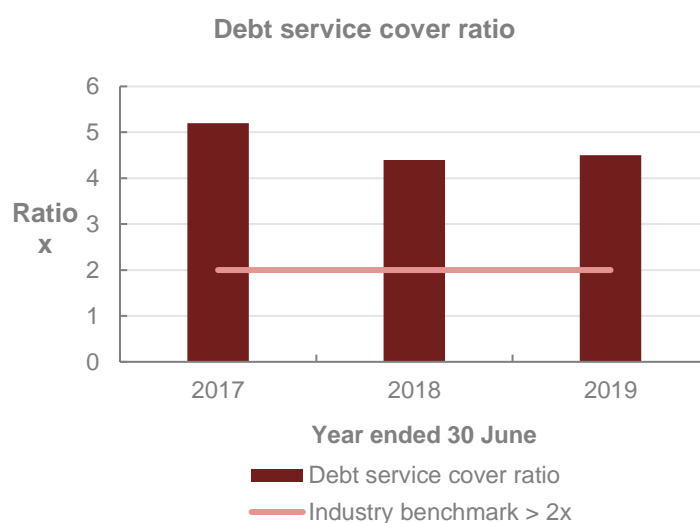
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



## Debt service cover ratio

Council's debt service cover ratio remains above the former OLG benchmark and is similar to 2017–18.

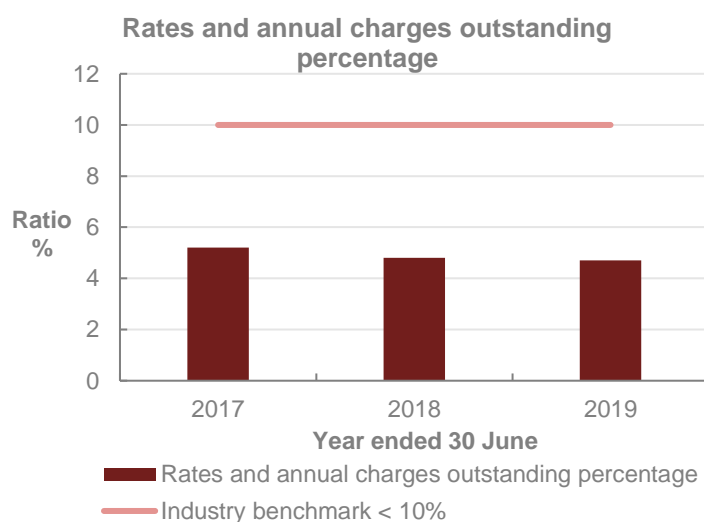
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



## Rates and annual charges outstanding percentage

Council's rates and annual charges outstanding ratio has remained stable compared to the past two years and remains well within the former OLG benchmark.

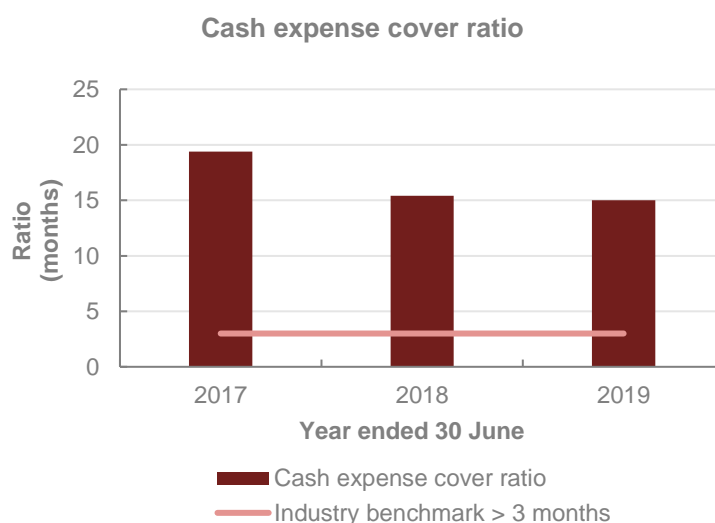
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



## Cash expense cover ratio

The 2018–19 cash expense cover ratio is similar to the prior year and remains well above the former OLG benchmark.

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



## Infrastructure, property, plant and equipment renewals

Council's Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure in 2018–19 was \$11.5 million which is \$5.0 million lower than the prior year due mainly to lower roadworks as Council focused on new assets rather than renewals. Renewal expenditure was \$21.9m lower than the level of depreciation for 2018–19. Major renewal works included various road, sewer, buildings and heavy plant replacements.

## OTHER MATTERS

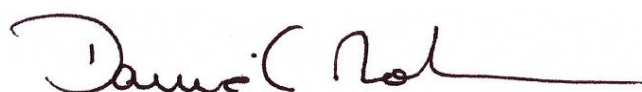
### New accounting standards implemented

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' 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 as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Notes 6 and 7.</p>

### Legislative compliance

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

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



David Nolan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Mr Paul Bennett, General Manager  
Ms Sherrill Young, Chief Financial Officer  
Mr Andrew Fletcher, Chair of Audit, Risk and Improvement Committee  
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Tamworth Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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*More than just a city. More than just one place.*



# Special Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
<b>Statement by Councillors &amp; Management</b>	<b>3</b>
<b>Special Purpose Financial Statements</b>	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Income Statement – Airport	6
Income Statement – Waste	7
Income Statement – Pilot Training Facility	8
Statement of Financial Position – Water Supply Business Activity	9
Statement of Financial Position – Sewerage Business Activity	10
Statement of Financial Position – Airport	11
Statement of Financial Position – Waste	12
Statement of Financial Position – Pilot Training Facility	13
<b>Note 1 – Significant Accounting Policies</b>	<b>14</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>18</b>

## Background

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

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

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

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

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

Special Purpose Financial Statements  
for the year ended 30 June 2019

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

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

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

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

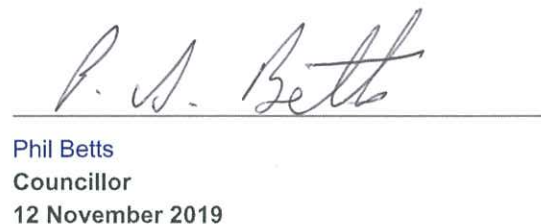
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 12 November 2019.



Col Murray  
Mayor  
12 November 2019



Phil Betts  
Councillor  
12 November 2019



Paul Bennett  
General Manager  
12 November 2019



Sherrill Young  
Responsible Accounting Officer  
12 November 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	6,819	6,584
User charges	13,701	14,964
Fees	197	228
Interest	1,465	1,334
Grants and contributions provided for non-capital purposes	199	196
Other income	382	219
<b>Total income from continuing operations</b>	<b>22,763</b>	<b>23,525</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,572	2,425
Borrowing costs	591	633
Materials and contracts	9,455	8,696
Depreciation, amortisation and impairment	5,081	4,894
Water purchase charges	1,046	928
Loss on sale of assets	343	3,047
Calculated taxation equivalents	103	102
Debt guarantee fee (if applicable)	52	56
Other expenses	1,425	1,363
<b>Total expenses from continuing operations</b>	<b>20,668</b>	<b>22,144</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>2,095</b>	<b>1,381</b>
Grants and contributions provided for capital purposes	2,874	1,962
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>4,969</b>	<b>3,343</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>4,969</b>	<b>3,343</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(576)	(380)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>4,393</b>	<b>2,963</b>
<b>Plus accumulated surplus</b>	<b>178,511</b>	<b>175,078</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	103	102
– Debt guarantee fees	52	56
– Corporate taxation equivalent	576	380
<b>Less:</b>		
– Tax equivalent dividend paid	(67)	(68)
<b>Return on capital %</b>	<b>1.1%</b>	<b>0.9%</b>
<b>Subsidy from Council</b>	<b>443</b>	<b>4,153</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	4,393	2,963
Less: capital grants and contributions (excluding developer contributions)	(751)	(333)
<b>Surplus for dividend calculation purposes</b>	<b>3,642</b>	<b>2,630</b>
<b>Potential dividend calculated from surplus</b>	<b>1,821</b>	<b>1,315</b>

# Income Statement – Sewerage Business Activity for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	18,244	17,606
User charges	2,857	2,675
Liquid trade waste charges	1,159	939
Fees	76	54
Interest	1,510	1,391
Grants and contributions provided for non-capital purposes	255	180
Other income	88	64
<b>Total income from continuing operations</b>	<b>24,189</b>	<b>22,909</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,827	1,690
Borrowing costs	2,402	2,549
Materials and contracts	5,633	6,546
Depreciation, amortisation and impairment	5,921	5,784
Loss on sale of assets	1,025	1,118
Calculated taxation equivalents	245	240
Debt guarantee fee (if applicable)	183	195
Other expenses	848	882
<b>Total expenses from continuing operations</b>	<b>18,084</b>	<b>19,004</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>6,105</b>	<b>3,905</b>
Grants and contributions provided for capital purposes	1,730	2,371
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>7,835</b>	<b>6,276</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>7,835</b>	<b>6,276</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,679)	(1,074)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>6,156</b>	<b>5,202</b>
<b>Plus accumulated surplus</b>	<b>183,935</b>	<b>177,287</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	245	240
– Debt guarantee fees	183	195
– Corporate taxation equivalent	1,679	1,074
<b>Less:</b>		
– Tax equivalent dividend paid	(61)	(63)
<b>Return on capital %</b>	<b>3.4%</b>	<b>2.6%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>85</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	6,156	5,202
Less: capital grants and contributions (excluding developer contributions)	(86)	(600)
<b>Surplus for dividend calculation purposes</b>	<b>6,070</b>	<b>4,602</b>
<b>Potential dividend calculated from surplus</b>	<b>3,035</b>	<b>2,301</b>

**Income Statement – Airport**  
for the year ended 30 June 2019

<b>\$ '000</b>	<b>2019 Category 1</b>	<b>2018 Category 1</b>
<b>Income from continuing operations</b>		
Fees	5,130	4,794
Other income	32	214
<b>Total income from continuing operations</b>	<b>5,162</b>	<b>5,008</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	744	949
Borrowing costs	134	141
Materials and contracts	2,494	2,815
Depreciation, amortisation and impairment	1,580	1,795
Loss on sale of assets	–	101
Debt guarantee fee (if applicable)	14	15
Other expenses	186	238
<b>Total expenses from continuing operations</b>	<b>5,152</b>	<b>6,054</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>10</b>	<b>(1,046)</b>
Grants and contributions provided for capital purposes	3,381	2,247
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>3,391</b>	<b>1,201</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>3,391</b>	<b>1,201</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(3)	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>3,388</b>	<b>1,201</b>
<b>Plus accumulated surplus</b>	<b>22,512</b>	<b>21,296</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Debt guarantee fees	14	15
– Corporate taxation equivalent	3	–
<b>Return on capital %</b>	<b>0.3%</b>	<b>(1.8)%</b>
<b>Subsidy from Council</b>	<b>524</b>	<b>2,207</b>

**Income Statement – Waste**  
for the year ended 30 June 2019

<b>\$ '000</b>	<b>2019 Category 1</b>	<b>2018 Category 1</b>
<b>Income from continuing operations</b>		
Access charges	8,112	7,845
Fees	6,364	4,986
Grants and contributions provided for non-capital purposes	371	177
Container Deposit Scheme	286	–
Other income	19	34
<b>Total income from continuing operations</b>	<b>15,152</b>	<b>13,042</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,574	1,547
Borrowing costs	140	393
Materials and contracts	9,723	9,177
Depreciation, amortisation and impairment	1,028	985
Loss on sale of assets	102	29
Other expenses	121	63
<b>Total expenses from continuing operations</b>	<b>12,688</b>	<b>12,194</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>2,464</b>	<b>848</b>
Grants and contributions provided for capital purposes	1,500	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>3,964</b>	<b>848</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>3,964</b>	<b>848</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(678)	(233)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>3,286</b>	<b>615</b>
<b>Plus accumulated surplus</b>	<b>17,605</b>	<b>16,757</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	678	233
<b>Return on capital %</b>	<b>12.7%</b>	<b>7.2%</b>

**Income Statement – Pilot Training Facility**  
for the year ended 30 June 2019

<b>\$ '000</b>	<b>2019 Category 1</b>	<b>2018 Category 1</b>
<b>Expenses from continuing operations</b>		
Borrowing costs	208	–
Materials and contracts	117	–
Other expenses	6	–
<b>Total expenses from continuing operations</b>	<b>331</b>	<b>–</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(331)</b>	<b>–</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(331)</b>	<b>–</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(331)</b>	<b>–</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(331)</b>	<b>–</b>
<b>Plus adjustments for amounts unpaid:</b>		
Subsidy from Council	123	–

# 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	5,511	3,800
Investments	30,095	28,254
Receivables	2,007	2,909
Other	10	10
<b>Total current assets</b>	<b>37,623</b>	<b>34,973</b>
<b>Non-current assets</b>		
Investments	12,937	10,979
Receivables	8,000	8,000
Infrastructure, property, plant and equipment	237,038	234,484
Intangible assets	1,022	864
<b>Total non-current assets</b>	<b>258,997</b>	<b>254,327</b>
<b>TOTAL ASSETS</b>	<b>296,620</b>	<b>289,300</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	787	502
Borrowings	807	765
<b>Total current liabilities</b>	<b>1,594</b>	<b>1,267</b>
<b>Non-current liabilities</b>		
Borrowings	9,190	9,997
<b>Total non-current liabilities</b>	<b>9,190</b>	<b>9,997</b>
<b>TOTAL LIABILITIES</b>	<b>10,784</b>	<b>11,264</b>
<b>NET ASSETS</b>	<b>285,836</b>	<b>278,036</b>
<b>EQUITY</b>		
Accumulated surplus	183,568	178,511
Revaluation reserves	102,268	99,525
<b>TOTAL EQUITY</b>	<b>285,836</b>	<b>278,036</b>

# Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	8,851	4,432
Investments	32,015	30,450
Receivables	1,588	2,250
Other	10	10
<b>Total current assets</b>	<b>42,464</b>	<b>37,142</b>
<b>Non-current assets</b>		
Investments	14,939	12,072
Receivables	8,000	8,000
Infrastructure, property, plant and equipment	249,765	248,637
Intangible assets	762	762
<b>Total non-current assets</b>	<b>273,466</b>	<b>269,471</b>
<b>TOTAL ASSETS</b>	<b>315,930</b>	<b>306,613</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	210	240
Borrowings	2,585	2,448
<b>Total current liabilities</b>	<b>2,795</b>	<b>2,688</b>
<b>Non-current liabilities</b>		
Borrowings	32,756	35,341
<b>Total non-current liabilities</b>	<b>32,756</b>	<b>35,341</b>
<b>TOTAL LIABILITIES</b>	<b>35,551</b>	<b>38,029</b>
<b>NET ASSETS</b>	<b>280,379</b>	<b>268,584</b>
<b>EQUITY</b>		
Accumulated surplus	192,137	183,935
Revaluation reserves	88,242	84,649
<b>TOTAL EQUITY</b>	<b>280,379</b>	<b>268,584</b>

Statement of Financial Position – Airport  
as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	376	689
Receivables	2,558	2,123
Other	2	2
<b>Total current assets</b>	<b>2,936</b>	<b>2,814</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	50,633	49,516
Investment property	1,525	–
<b>Total non-current assets</b>	<b>52,158</b>	<b>49,516</b>
<b>TOTAL ASSETS</b>	<b>55,094</b>	<b>52,330</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	109	598
Borrowings	158	152
<b>Total current liabilities</b>	<b>267</b>	<b>750</b>
<b>Non-current liabilities</b>		
Borrowings	2,596	2,754
<b>Total non-current liabilities</b>	<b>2,596</b>	<b>2,754</b>
<b>TOTAL LIABILITIES</b>	<b>2,863</b>	<b>3,504</b>
<b>NET ASSETS</b>	<b>52,231</b>	<b>48,826</b>
<b>EQUITY</b>		
Accumulated surplus	25,917	22,512
Revaluation reserves	26,314	26,314
<b>TOTAL EQUITY</b>	<b>52,231</b>	<b>48,826</b>

# Statement of Financial Position – Waste

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	14,450	13,215
Receivables	1,604	1,474
<b>Total current assets</b>	<b>16,054</b>	<b>14,689</b>
<b>Non-current assets</b>		
Investments	4,840	4,663
Infrastructure, property, plant and equipment	20,521	17,347
<b>Total non-current assets</b>	<b>25,361</b>	<b>22,010</b>
<b>TOTAL ASSETS</b>	<b>41,415</b>	<b>36,699</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	249	158
<b>Total current liabilities</b>	<b>249</b>	<b>158</b>
<b>Non-current liabilities</b>		
Provisions	8,878	8,216
<b>Total non-current liabilities</b>	<b>8,878</b>	<b>8,216</b>
<b>TOTAL LIABILITIES</b>	<b>9,127</b>	<b>8,374</b>
<b>NET ASSETS</b>	<b>32,288</b>	<b>28,325</b>
<b>EQUITY</b>		
Accumulated surplus	21,569	17,605
Revaluation reserves	10,719	10,720
<b>TOTAL EQUITY</b>	<b>32,288</b>	<b>28,325</b>

# Statement of Financial Position – Pilot Training Facility

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment property	20,000	—
<b>Total non-current assets</b>	20,000	—
<b>TOTAL ASSETS</b>	20,000	—
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Monies Owed to General Fund	331	—
<b>Total current liabilities</b>	331	—
<b>Non-current liabilities</b>		
Borrowings <sup>1</sup>	20,000	—
<b>Total non-current liabilities</b>	20,000	—
<b>TOTAL LIABILITIES</b>	20,331	—
<b>NET ASSETS</b>	(331)	—
<b>EQUITY</b>		
Retained earnings	(331)	—
<b><u>TOTAL EQUITY</u></b>	(331)	—

(1) Internal loan from General Fund internal restrictions

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

## Note 1. Significant Accounting Policies

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

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

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

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

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

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

### National Competition Policy

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

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

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

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

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

### Declared business activities

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

#### Category 1

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

##### 1. Tamworth Regional Council Combined Water Supplies

Maintain water infrastructure assets and supply water to the area of Tamworth Regional Council.

##### 2. Tamworth Regional Council Combined Sewerage Service

Maintain and operate sewerage reticulation and treatment system servicing the area of Tamworth Regional Council.

##### 3. Tamworth Regional Airport

Maintain and operate the Tamworth Regional Airport facility.

##### 4. Tamworth Regional Council Waste Management

Maintain and operate waste facilities and services within the Tamworth Regional Council area.

##### 5. Tamworth Regional Pilot Training Facility

Maintain and operate the Tamworth Regional Pilot Training Facility

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

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

#### Category 2

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

**NONE**

#### Monetary amounts

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

As required by Department of Industry (DoI) - Water, the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – **27.5%**

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

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

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

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

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

#### Income tax

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

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

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

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

# Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

## Note 1. Significant Accounting Policies (continued)

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/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

### Local government rates and charges

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

### Loan and debt guarantee fees

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

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

### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

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

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

### (iv) Dividends

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

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

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

- 50% of this surplus in any one year, or

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

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

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- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



## **INDEPENDENT AUDITOR'S REPORT**

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

#### **Tamworth Regional Council**

To the Councillors of the Tamworth Regional Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Tamworth 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 business activity
- sewerage business activity
- airport
- waste
- pilot training facility.

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.

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal flourish extending to the right.

David Nolan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

27 November 2019  
SYDNEY

# Tamworth Regional Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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*More than just a city. More than just one place.*



## Special Schedules

for the year ended 30 June 2019

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### Contents

### Page

#### **Special Schedules**

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	35,870	34,983
Plus or minus adjustments <sup>2</sup>	b	207	216
<b>Notional general income</b>	$c = a + b$	<b>36,077</b>	<b>35,199</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	974	810
<b>Sub-total</b>	$k = (c + g + h + i + j)$	<b>37,051</b>	<b>36,009</b>
Plus (or minus) last year's carry forward total	l	22	(126)
<b>Sub-total</b>	$n = (l + m)$	<b>22</b>	<b>(126)</b>
<b>Total permissible income</b>	$o = k + n$	<b>37,073</b>	<b>35,883</b>
Less notional general income yield	p	37,073	35,870
<b>Catch-up or (excess) result</b>	$q = o - p$	<b>-</b>	<b>13</b>
Adjustment Due to Conservation Agreements <sup>4</sup>	r	-	9
<b>Carry forward to next year <sup>6</sup></b>	$t = q + r + s$	<b>-</b>	<b>22</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.
- (4) Adjustment to Income due to Conservation Agreements under Section 555(1)(b1).
- (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

#### Tamworth Regional Council

To the Councillors of Tamworth Regional Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Tamworth 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:

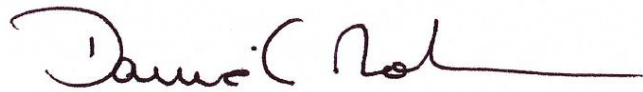
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal flourish extending to the right.

David Nolan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

27 November 2019  
SYDNEY

# Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	–	–	1,829	1,784	89,099	128,550	25.0%	25.4%	29.1%	16.1%	4.5%
	Buildings – specialised	–	–	1,423	1,363	32,396	36,542	90.0%	10.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	3,252	3,147	121,495	165,092	39.4%	22.0%	22.7%	12.5%	3.4%
Other structures	Other structures	–	–	2,168	2,107	27,032	94,304	59.3%	32.4%	8.3%	0.0%	0.0%
	Sub-total	–	–	2,168	2,107	27,032	94,304	59.3%	32.4%	8.3%	0.0%	0.0%
Roads	Sealed roads	–	–	3,286	3,040	262,925	360,148	50.9%	17.6%	11.6%	9.8%	10.2%
	Unsealed roads	–	–	4,977	5,233	52,524	72,770	7.4%	11.2%	11.6%	68.3%	1.4%
	Bridges	–	–	299	241	73,943	104,366	15.4%	73.9%	7.5%	0.8%	2.3%
	Footpaths	–	–	428	390	11,918	21,383	20.8%	14.6%	49.1%	13.6%	1.9%
	Other road assets	–	–	1,778	2,031	85,270	131,405	38.4%	24.9%	9.4%	22.2%	5.1%
	Sub-total	–	–	10,768	10,935	486,580	690,072	37.6%	26.7%	11.7%	17.1%	6.9%
Water supply network	Water supply network	2,418	2,418	5,501	4,520	224,863	422,766	22.8%	51.8%	20.7%	4.7%	0.0%
	Sub-total	2,418	2,418	5,501	4,520	224,863	422,766	22.8%	51.8%	20.7%	4.7%	0.0%
Sewerage network	Sewerage network	4,742	4,742	4,033	2,167	232,232	336,056	58.6%	18.1%	19.7%	3.6%	0.0%
	Sub-total	4,742	4,742	4,033	2,167	232,232	336,056	58.6%	18.1%	19.7%	3.6%	0.0%
Stormwater drainage	Stormwater drainage	–	–	550	262	190,715	273,871	58.8%	35.1%	0.9%	5.2%	0.0%
	Sub-total	–	–	550	262	190,715	273,871	58.8%	35.1%	0.9%	5.2%	0.0%
Open space / recreational assets	Swimming pools	–	–	246	333	4,646	11,530	0.4%	8.0%	20.7%	32.5%	38.5%
	Open Space Assets	–	–	3,787	3,624	18,448	35,220	38.7%	31.4%	21.3%	7.0%	1.6%
	Sub-total	–	–	4,033	3,957	23,094	46,750	29.2%	25.6%	21.2%	13.3%	10.7%
TOTAL - ALL ASSETS		7,160	7,160	30,305	27,095	1,306,011	2,028,911	41.8%	31.5%	14.4%	9.4%	2.9%

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

## Infrastructure asset condition assessment 'key'

- |   |                            |                                       |
|---|----------------------------|---------------------------------------|
| 1 | <b>Excellent/very good</b> | No work required (normal maintenance) |
| 2 | <b>Good</b>                | Only minor maintenance work required  |

## Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

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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>1,3</sup>					
Asset renewals <sup>2</sup>	5,230	17.93%	33.06%	38.95%	>=100.00%
Depreciation, amortisation and impairment	29,172				
Infrastructure backlog ratio <sup>1</sup>					
Estimated cost to bring assets to a satisfactory standard	7,160	0.55%	0.62%	0.62%	<2.00%
Net carrying amount of infrastructure assets	1,306,011				
Asset maintenance ratio					
Actual asset maintenance	27,095	89.41%	91.91%	97.35%	>100.00%
Required asset maintenance	30,305				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	7,160	0.35%	0.41%	—	
Gross replacement cost	2,028,911				

(\*) 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.

(3) If Work In Progress is included the Buildings and Infrastructure Renewals Ratio for 2019 would have been: Consolidated 43.84%, General 44.44%, Water 50.12% and Sewer 35.93%

# 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, 3</sup>							
Asset renewals <sup>2</sup>	15.76%	50.68%	6.10%	8.35%	35.93%	1.18%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio <sup>1</sup>							
Estimated cost to bring assets to a satisfactory standard	—	—	1.08%	1.23%	2.04%	2.23%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	98.25%	102.05%	82.17%	77.46%	53.73%	51.91%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	—	—	0.57%	0.66%	1.41%	1.56%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

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

(3) If Work In Progress is included the Buildings and Infrastructure Renewals Ratio for 2019 would have been: Consolidated 43.84%, General 44.44%, Water 50.12% and Sewer 35.93%