



Attachment A

Financial Statements



Walgett Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

*That the community utilise the opportunities that arise from
our environment, to improve their quality of life, while
embracing its ethnic and social diversity to the benefit of all.*



Walgett Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

*That the community utilise the opportunities that arise from
our environment, to improve their quality of life, while
embracing its ethnic and social diversity to the benefit of all.*



General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	79
On the Financial Statements (Sect 417 [3])	82

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Walgett Shire Council

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

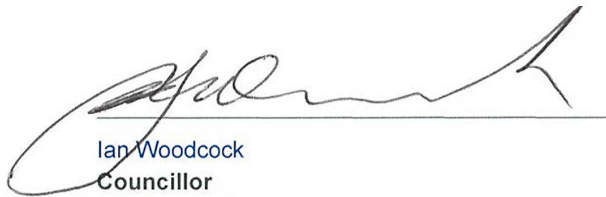
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 29 October 2019.



Manuel Martinez
Mayor
29 October 2019



Ian Woodcock
Councillor
29 October 2019



Gregory Ingham
General Manager
29 October 2019



Michael Urquhart
Responsible Accounting Officer
29 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 ¹ \$ '000
Income from continuing operations				
<u>Revenue:</u>				
8,929	Rates and annual charges	3a	9,001	8,779
4,800	User charges and fees	3b	3,819	6,879
785	Interest and investment revenue	3c	956	777
2,406	Other revenues	3d	1,131	783
9,724	Grants and contributions provided for operating purposes	3e,3f	11,051	12,543
8,155	Grants and contributions provided for capital purposes	3e,3f	8,808	4,493
<u>Other income:</u>				
–	Net gains from the disposal of assets	5	–	39
–	Net share of interests in joint ventures and associates using the equity method	14	3,733	–
34,799	Total income from continuing operations		38,499	34,293
Expenses from continuing operations				
8,470	Employee benefits and on-costs	4a	8,072	8,273
288	Borrowing costs	4b	206	260
9,070	Materials and contracts	4c	7,780	11,539
4,696	Depreciation and amortisation	4d	7,032	7,610
2,921	Other expenses	4e	3,797	3,235
–	Net losses from the disposal of assets	5	276	–
25,445	Total expenses from continuing operations		27,163	30,917
9,354	Operating result from continuing operations		11,336	3,376
9,354	Net operating result for the year		11,336	3,376
9,354	Net operating result attributable to council		11,336	3,376
1,199	Net operating result for the year before grants and contributions provided for capital purposes		2,528	(1,117)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 ¹ \$ '000
Net operating result for the year (as per Income Statement)		11,336	3,376
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	3,467	2,104
Total items which will not be reclassified subsequently to the operating result		3,467	2,104
Total other comprehensive income for the year		3,467	2,104
Total comprehensive income for the year		14,803	5,480
Total comprehensive income attributable to Council		14,803	5,480

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

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

Statement of Financial Position

as at 30 June 2019

	Notes	2019 \$ '000	2018 ¹ \$ '000
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	8,941	19,442
Investments	6(b)	11,000	5,000
Receivables	7	6,014	2,800
Inventories	8a	957	861
Other	8b	125	–
Total current assets		27,037	28,103
Non-current assets			
Investments	6(b)	14,000	10,000
Receivables	7	153	184
Infrastructure, property, plant and equipment	9(a)	284,297	274,024
Investments accounted for using the equity method	14	3,733	–
Total non-current assets		302,183	284,208
TOTAL ASSETS		329,220	312,311
LIABILITIES			
Current liabilities			
Payables	10	4,281	2,251
Income received in advance	10	–	238
Borrowings	10	707	617
Provisions	11	2,018	2,215
Total current liabilities		7,006	5,321
Non-current liabilities			
Borrowings	10	2,606	3,379
Provisions	11	4,492	3,298
Total non-current liabilities		7,098	6,677
TOTAL LIABILITIES		14,104	11,998
Net assets		315,116	300,313
EQUITY			
Accumulated surplus	12a	121,279	109,943
Revaluation reserves	12a	193,837	190,370
Council equity interest		315,116	300,313
Total equity		315,116	300,313

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

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

Statement of Changes in Equity

for the year ended 30 June 2019

	2019			2018 ¹		
	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance	109,943	190,370	300,313	106,567	188,266	294,833
Restated opening balance	109,943	190,370	300,313	106,567	188,266	294,833
Net operating result for the year	11,336	–	11,336	3,376	–	3,376
Restated net operating result for the period	11,336	–	11,336	3,376	–	3,376
Other comprehensive income						
– Gain (loss) on revaluation of IPP&E	–	3,467	3,467	–	2,104	2,104
Other comprehensive income	–	3,467	3,467	–	2,104	2,104
Total comprehensive income	11,336	3,467	14,803	3,376	2,104	5,480
Equity – balance at end of the reporting period	121,279	193,837	315,116	109,943	190,370	300,313

Notes

9(a)

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000	Notes	Actual 2019 \$ '000	Actual 2018 \$ '000
Cash flows from operating activities			
<u>Receipts</u>			
8,932	Rates and annual charges	9,148	8,841
4,746	User charges and fees	4,060	8,228
768	Investment and interest revenue received	816	829
17,886	Grants and contributions	16,818	18,661
–	Bonds, deposits and retention amounts received	19	81
2,424	Other	2,579	3,004
<u>Payments</u>			
(8,409)	Employee benefits and on-costs	(8,563)	(9,215)
(8,996)	Materials and contracts	(7,818)	(13,675)
(291)	Borrowing costs	(177)	(179)
–	Bonds, deposits and retention amounts refunded	(17)	(20)
(2,944)	Other	(4,062)	(572)
14,116	Net cash provided (or used in) operating activities	12,803	15,983
Cash flows from investing activities			
<u>Receipts</u>			
220	Sale of investment securities	71,500	75,000
390	Sale of infrastructure, property, plant and equipment	194	354
–	Deferred debtors receipts	30	30
<u>Payments</u>			
(750)	Purchase of investment securities	(81,500)	(67,500)
(13,091)	Purchase of infrastructure, property, plant and equipment	(12,845)	(15,367)
(13,231)	Net cash provided (or used in) investing activities	(22,621)	(7,483)
Cash flows from financing activities			
<u>Receipts</u>			
–	Proceeds from borrowings and advances	–	700
<u>Payments</u>			
(780)	Repayment of borrowings and advances	(683)	(609)
(780)	Net cash flow provided (used in) financing activities	(683)	91
105	Net increase/(decrease) in cash and cash equivalents	(10,501)	8,591
–	Plus: cash and cash equivalents – beginning of year	19,442	10,851
105	Cash and cash equivalents – end of the year	8,941	19,442
Additional Information:			
–	plus: Investments on hand – end of year	25,000	15,000
105	Total cash, cash equivalents and investments	33,941	34,442

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	18
4	Expenses from continuing operations	24
5	Gains or losses from the disposal, replacement and de-recognition of assets	28
6(a)	Cash and cash equivalent assets	29
6(b)	Investments	29
6(c)	Restricted cash, cash equivalents and investments – details	30
7	Receivables	32
8	Inventories and other assets	34
9(a)	Infrastructure, property, plant and equipment	36
9(b)	Externally restricted infrastructure, property, plant and equipment	40
10	Payables and borrowings	41
11	Provisions	44
12	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	48
13	Statement of cash flows – additional information	49
14	Interests in other entities	50
15	Commitments	53
16	Contingencies and other assets/liabilities not recognised	54
17	Financial risk management	57
18	Material budget variations	61
19	Fair Value Measurement	63
20	Related Party Transactions	70
21	Financial result and financial position by fund	72
22(a)	Statement of performance measures – consolidated results	74
22(b)	Statement of performance measures – by fund	75
	Additional Council disclosures (unaudited)	
22(c)	Statement of performance measures – consolidated results (graphs)	76
23	Council information and contact details	78

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 29 October 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these 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 17 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (ii) estimated landfill and gravel pit remediation provisions – refer Note 11
- (iii) employee benefit provisions – refer Note 11

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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 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 Fund

Walgett Water Supply Service

Lightning Ridge Water Supply Service

Collarenebri Water Supply Service

Villages Water Supply Service

Sewerage Fund

Walgett Sewerage Service

Lightning Ridge Sewerage Service

Collarenebri Sewerage Service

Domestic Waste Management Fund

(b) The Trust Fund

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

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

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

Lightning Ridge Bore Baths Committee

Namoi Village Bingo - V Boney

Lightning Ridge Cemetery (Bequest)

Mooribul Day

Walgett Meals on Wheels

Burren Junction Hall Committee

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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 15 Revenue from Contracts with Customers and associated amending standards

AASB 15 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 AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The implementation of AASB 15 may have some impact on the future recognition of revenues but that impact is not expected to be material for Council's financial performance, financial position or cash flows.

AASB 16 Leases

AASB 16 will result (for financial year ending 2019/2020 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside any actual finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (i.e., a lease liability) and an asset (i.e., a right to use the lease 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 July 2019).

AASB 16 will not (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30 June 2019.

At the end of this reporting period, Council has no non-cancellable operating lease commitments.

Operating leases held by Council will be changed to AASB 16 reporting requirements from 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 may be required from next financial year.

AASB 1058 Income for Not for Profit 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 financial statement elements (called "related amount") 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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

- 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.

The implementation of AASB 1058 may have some impact on the future recognition of revenues but that impact is not expected to be material for Council's financial performance, financial position or cash flows.

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

This Standard provides a temporary option for NFP 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 AASB 2018-8 are not expected to have a material impact on Council's future financial performance, financial position and cash flows.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Functions or activities	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Governance	12,554	11,867	208	287	12,346	11,580	6,586	5,946	3,328	3,328
Administration	480	744	4,275	4,321	(3,795)	(3,577)	13	31	6,723	6,723
Public Order & Safety	21	184	521	436	(500)	(252)	55	161	1,496	1,496
Health	47	283	68	39	(21)	244	–	275	–	–
Environment	1,543	2,348	1,901	1,532	(358)	816	185	877	6,303	3,987
Community Services & Education	268	199	813	688	(545)	(489)	366	197	1,690	1,690
Housing & Community Amenities	434	345	1,001	2,984	(567)	(2,639)	209	305	4,675	4,550
Water Supplies	2,536	2,610	2,971	2,229	(435)	381	156	200	31,385	30,942
Sewerage Services	1,021	991	665	688	356	303	10	10	26,471	25,108
Recreation & Culture	1,187	552	3,757	2,639	(2,570)	(2,087)	735	657	35,000	23,050
Mining, manufacturing & construction	57	538	12	26	45	512	–	–	–	–
Transport & Communication	13,333	12,758	10,206	12,225	3,127	533	8,126	5,501	212,149	211,437
Economic Affairs	1,285	874	765	2,823	520	(1,949)	961	557	–	–
Far North West Joint Organisation	3,733	–	–	–	3,733	–	–	–	–	–
Total functions and activities	38,499	34,293	27,163	30,917	11,336	3,376	17,402	14,717	329,220	312,311

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Governance

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

Administration

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

Public Order & Safety

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

Health

Includes food control, health centres etc.

Environment

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

Community Services & Education

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

Housing & Community Amenities

Housing is owned by Council and rented to doctors and council staff who move to the Walgett Shire area. Council also provides and maintains Community Amenities at various locations within the shire to facilitate recreational and tourism functions within the shire.

Water Supplies

Council operates reticulated water supplies in Walgett, Lightning Ridge and Collarenebri. Supplies exist in the localities of Carinda, Rowena, Grawin and Cumborah.

Sewerage Services

Sewerage services are operated by Council in Walgett, Lightning Ridge and Collarenebri.

Recreation & Culture

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

Mining, manufacturing & construction

Includes building control, quarries and pits, and mineral resources.

Transport & Communication

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Economic Affairs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

	2019 \$ '000	2018 \$ '000
(a) Rates and annual charges		
Ordinary rates		
Residential	1,329	1,298
Farmland	3,760	3,661
Business	328	322
Less: pensioner rebates (mandatory)	(96)	(94)
Rates levied to ratepayers	5,321	5,187
Pensioner rate subsidies received	52	52
Total ordinary rates	5,373	5,239
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	1,324	1,294
Water supply services	1,423	1,403
Sewerage services	900	881
Less: pensioner rebates (mandatory)	(86)	(85)
Annual charges levied	3,561	3,493
Pensioner subsidies received:		
– Water	11	12
– Sewerage	10	10
– Domestic waste management	46	25
Total annual charges	3,628	3,540
TOTAL RATES AND ANNUAL CHARGES	9,001	8,779

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 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.

	2019 \$ '000	2018 \$ '000
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	516	611
Sewerage services	–	1
Total specific user charges	516	612

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	8	8
Planning and building regulation	22	30
Private works – section 67	13	48
Regulatory/ statutory fees	34	46
Registration fees	–	4
Section 603 certificates	6	9
Total fees and charges – statutory/regulatory	83	145
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	8	1
Caravan park	4	–
Cemeteries	56	56
Lease rentals	70	66
Leaseback fees – Council vehicles	34	28
Park rents	–	1
Quarry revenues	–	150
RMS (formerly RTA) charges (state roads not controlled by Council)	2,857	5,626
Saleyards	1	–
Sundry sales	28	36
Swimming centres	–	2
Tourism	162	156
Total fees and charges – other	3,220	6,122
TOTAL USER CHARGES AND FEES	3,819	6,879

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)

Interest on financial assets measured at amortised cost

– Overdue rates and annual charges (incl. special purpose rates)	61	59
– Cash and investments	895	718
TOTAL INTEREST AND INVESTMENT REVENUE	956	777

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

Overdue rates and annual charges (general fund)	24	23
General Council cash and investments	624	481

Restricted investments/funds – external:

Water fund operations	111	99
Sewerage fund operations	129	116
Domestic waste management operations	68	58
Total interest and investment revenue	956	777

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

Accounting policy for interest and investment revenue

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

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

(d) Other revenues

Rental income – council properties	146	145
Fines	14	11
Legal fees recovery – rates and charges (extra charges)	76	107
Commissions and agency fees	117	74
Diesel rebate	77	61
Insurance claims recoveries	294	22
Sales – general	39	27
Maintain water and sewer aboriginal communities	344	303
FESL	–	2
Other	24	31
TOTAL OTHER REVENUE	1,131	783

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.

Fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

Other revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, 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.

	Operating 2019 \$ '000	Operating 2018 \$ '000	Capital 2019 \$ '000	Capital 2018 \$ '000
--	------------------------------	------------------------------	----------------------------	----------------------------

(e) Grants**General purpose (untied)****Current year allocation**

Financial assistance – general component	2,190	2,059	–	–
Financial assistance – local roads component	1,017	962	–	–

Payment in advance - future year allocation

Financial assistance – general component	2,315	2,119	–	–
Financial assistance – local roads component	1,011	984	–	–

Total general purpose

	6,533	6,124	–	–
--	--------------	--------------	----------	----------

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	Operating 2019 \$ '000	Operating 2018 \$ '000	Capital 2019 \$ '000	Capital 2018 \$ '000
Specific purpose				
Water supplies	–	–	145	188
Bushfire and emergency services	4	4	–	157
Child care	33	33	–	–
Community care	146	89	–	89
Employment and training programs	13	31	–	–
Environmental programs	8	5	74	151
Heritage and cultural	14	–	–	–
Library	19	19	–	–
Library – special projects	16	22	–	–
LIRS subsidy	72	84	–	–
Public halls	–	–	–	33
Recreation and culture	89	–	936	410
Storm/flood damage	28	549	–	–
Street lighting	31	31	–	–
Traffic route subsidy	60	59	–	–
Transport (roads to recovery)	774	1,740	–	–
Transport (other roads and bridges funding)	552	1,327	7,158	2,117
Levee rehabilitation	–	–	–	854
Regional and local infrastructure	–	–	253	365
Youth services	97	107	–	–
Other	155	–	192	129
Total specific purpose	2,111	4,100	8,758	4,493
Total grants	8,644	10,224	8,758	4,493
Grant revenue is attributable to:				
– Commonwealth funding	774	1,737	3,689	1,078
– State funding	7,870	8,487	5,069	3,415
	8,644	10,224	8,758	4,493

	Operating 2019 \$ '000	Operating 2018 \$ '000	Capital 2019 \$ '000	Capital 2018 \$ '000
Notes				

(f) Contributions

Other contributions:

Cash contributions

Business development	24	29	–	–
Roads and bridges	–	30	–	–
RMS contributions (regional roads, block grant)	2,381	2,258	–	–
Other	2	2	–	–
Total other contributions – cash	2,407	2,319	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

Notes	Operating 2019 \$ '000	Operating 2018 \$ '000	Capital 2019 \$ '000	Capital 2018 \$ '000
Non-cash contributions				
Recreation and culture	–	–	50	–
Total other contributions – non-cash	–	–	50	–
Total other contributions	2,407	2,319	50	–
Total contributions	2,407	2,319	50	–
TOTAL GRANTS AND CONTRIBUTIONS	11,051	12,543	8,808	4,493

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 above.

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

	2019 \$ '000	2018 \$ '000

(g) Unspent grants and contributions

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

Unexpended at the close of the previous reporting period	2,209	3,352
Add: operating grants recognised in the current period but not yet spent	3,626	1,564
Add: operating grants received for the provision of goods and services in a future period	4	–
Less: operating grants recognised in a previous reporting period now spent	(5,446)	(1,453)
Unexpended and held as restricted assets (operating grants)	393	3,463

Unexpended operational grants relate to projects that are either in progress or have had a delayed start due to external factors impacting the proposed projects.

Capital grants

Unexpended at the close of the previous reporting period	1,252	–
Add: capital grants recognised in the current period but not yet spent	7,324	–
Add: capital grants received for the provision of goods and services in a future period	–	–
Less: capital grants recognised in a previous reporting period now spent	(7,303)	–
Unexpended and held as restricted assets (capital grants)	1,273	–

Unexpended capital grants held relate to major projects in progress at the end of the financial year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
Contributions		
Unexpended at the close of the previous reporting period	2	–
Add: contributions recognised in the current period but not yet spent	2	–
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	(2)	–
Unexpended and held as restricted assets (contributions)	<u>2</u>	<u>–</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

	2019 \$ '000	2018 \$ '000
(a) Employee benefits and on-costs		
Salaries and wages	6,176	6,142
Travel expenses	31	21
Employee leave entitlements (ELE)	1,474	1,238
ELE on-costs	(70)	200
Superannuation	660	650
Workers' compensation insurance	79	221
Fringe benefit tax (FBT)	72	83
Training costs (other than salaries and wages)	53	76
Protective clothing	55	66
Other	25	5
Total employee costs	8,555	8,702
Less: capitalised costs	(483)	(429)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>8,072</u>	<u>8,273</u>
Number of 'full-time equivalent' employees (FTE) at year end	103	99
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	117	116

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

	2019 \$ '000	2018 \$ '000
Notes		
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	174	176
Total interest bearing liability costs expensed	174	176
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
– Remediation liabilities	32	84
Total other borrowing costs	32	84
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>206</u>	<u>260</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

Accounting policy for borrowing costs

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

	2019 \$ '000	2018 \$ '000
(c) Materials and contracts		
Raw materials and consumables	4,575	6,513
Contractor and consultancy costs	15,726	16,440
Auditors remuneration ²	63	63
Legal expenses:		
– Legal expenses: debt recovery	128	146
– Legal expenses: other	6	25
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	31	31
Total materials and contracts	<u>20,529</u>	<u>23,218</u>
Less: capitalised costs	(12,749)	(11,679)
TOTAL MATERIALS AND CONTRACTS	<u>7,780</u>	<u>11,539</u>

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Computers	31	31
Other	31	–
	<u>62</u>	<u>31</u>

2. Auditor remuneration

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

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

Audit and review of financial statements	63	63
Remuneration for audit and other assurance services	<u>63</u>	<u>63</u>

Total Auditor-General remuneration**Non NSW Auditor-General audit firms**

Total remuneration of non NSW Auditor-General audit firms	<u>–</u>	<u>–</u>
Total Auditor remuneration	<u>63</u>	<u>63</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

	Notes	2019 \$ '000	2018 \$ '000
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		841	971
Office equipment		28	28
Infrastructure:			
– Buildings – non-specialised		110	117
– Buildings – specialised		374	379
– Other structures		991	1,068
– Roads		3,462	3,792
– Stormwater drainage		193	170
– Water supply network		728	654
– Sewerage network		180	148
Other assets:			
– Other		12	86
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9(a)	110	164
– Quarry assets	9(a)	3	33
Total gross depreciation and amortisation costs		7,032	7,610
Total depreciation and amortisation costs		7,032	7,610
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		<u>7,032</u>	<u>7,610</u>

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

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

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

Impairment of non-financial assets

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
(e) Other expenses		
Advertising	53	76
Bad and doubtful debts	522	101
Bank charges	19	19
Contributions/levies to other levels of government		
Contributions/levies to other levels of government	23	1
– CMCC noxious weeds	105	103
– Emergency services levy (includes FRNSW, SES, and RFS levies)	9	12
– NSW fire brigade levy	41	41
– NSW rural fire service levy	204	211
– Regional library	144	148
– Other contributions/levies	1	–
Councillor expenses – mayoral fee	17	20
Councillor expenses – councillors' fees	107	104
Councillors' expenses (incl. mayor) – other (excluding fees above)	39	38
Donations, contributions and assistance to other organisations (Section 356)	21	11
– Community and tourism programs	441	421
– Donations, contributions and assistance	56	35
– RSPCA	–	18
– Other donations, contributions and assistance	22	17
Electricity and heating	367	365
Insurance	567	603
Office expenses (including computer expenses)	50	43
Printing and stationery	123	111
Street lighting	213	193
Subscriptions and publications	9	90
Swimming pools	392	218
Telephone and communications	177	107
Tourism expenses (excluding employee costs)	38	49
Valuation fees	37	61
Other	–	19
Total other expenses	3,797	3,235
TOTAL OTHER EXPENSES	3,797	3,235

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	Notes	2019 \$ '000	2018 \$ '000
Plant and equipment	9(a)		
Proceeds from disposal – plant and equipment		194	254
Less: carrying amount of plant and equipment assets sold/written off		(319)	(240)
Net gain/(loss) on disposal		(125)	14
Infrastructure	9(a)		
Proceeds from disposal – infrastructure		–	100
Less: carrying amount of infrastructure assets sold/written off		(34)	–
Net gain/(loss) on disposal		(34)	100
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		71,500	75,000
Less: carrying amount of investments sold/redeemed/matured		(71,500)	(75,000)
Net gain/(loss) on disposal		–	–
Buildings (specialised and non-specialised) assets			
Less: carrying amount of Buildings (specialised and non-specialised) assets sold/written off		–	(46)
Net gain/(loss) on disposal		–	(46)
Other Structures assets			
Less: carrying amount of Other structures assets sold/written off		(42)	(1)
Net gain/(loss) on disposal		(42)	(1)
Roads, bridges and footpath assets			
Less: carrying amount of Roads, bridges and footpaths assets written off		(75)	(28)
Net gain/(loss) on disposal		(75)	(28)
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(276)</u>	<u>39</u>

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

	2019 \$ '000	2018 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	1,430	3,677
Cash-equivalent assets		
– Deposits at call	4,511	4,765
– Short-term deposits	3,000	11,000
Total cash and cash equivalents	8,941	19,442

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Investments				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	11,000	14,000	5,000	10,000
Total Investments	11,000	14,000	5,000	10,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	19,941	14,000	24,442	10,000
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	11,000	14,000	5,000	10,000
Total	11,000	14,000	5,000	10,000

Accounting policy for investments**Classification**

Council classifies its financial assets in the following categories: loans and receivables and held-to-maturity investments. 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

Due to previous losses recognised by Council on financial assets held for trading, Council no longer deals in financial assets acquired principally for the purpose of selling. Council, therefore, has no assets held at fair value with changes in value taken through profit or loss.

(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 cost.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Recognition and de-recognition

Council does not hold any financial assets as available for sale. All financial assets are recognised at cost on the date of investment and Council has the positive intention and ability to hold all financial assets/investments until maturity. Council recognises any such assets at face value at the maturity date.

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

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Total cash, cash equivalents and investments	19,941	14,000	24,442	10,000
attributable to:				
External restrictions	6,933	8,435	7,174	10,000
Internal restrictions	7,119	5,565	11,056	–
Unrestricted	5,889	–	6,212	–
	19,941	14,000	24,442	10,000

	2019 \$ '000	2018 \$ '000

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	1,337	1,337
External restrictions – included in liabilities	1,337	1,337

External restrictions – other

Specific purpose unexpended grants	1,666	3,463
Water supplies	2,949	3,187
Sewerage services	6,897	6,394
Domestic waste management	2,517	2,793
Other	2	–
External restrictions – other	14,031	15,837
Total external restrictions	15,368	17,174

Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 \$ '000	2018 \$ '000
Internal restrictions		
Plant and vehicle replacement	3,148	2,854
Infrastructure replacement	1,581	1,619
Employees leave entitlement	635	635
Carry over works	29	23
Rehabilitation	250	150
General manager contract provisions	18	18
FAG advance 2018/19	3,354	2,868
Shire Signage	200	200
Local Environmental Plan Update	20	20
Lightning Ridge Urban Expansion Plan	17	17
Regional Infrastructure Program	27	27
Council Elections	34	22
RMCC Contract Warranty	350	350
Tourism, Marketing & Promotion	407	407
Arts Along the Highway	30	30
Economic Development	495	485
Corporate Restructure	11	11
Matching Government Grants	96	56
Property Maintenance	138	48
Postponed Major Projects	942	598
Lightning Ridge VIC Disability Facilities	146	146
Council Administration Centre Facilities Upgrade	245	245
Walgett Animal Pound	175	175
Other	336	52
Total internal restrictions	12,684	11,056
TOTAL RESTRICTIONS	28,052	28,230

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Purpose				
Rates and annual charges	1,094	26	1,063	25
Interest and extra charges	69	9	26	3
User charges and fees	876	–	991	–
Accrued revenues				
– Interest on investments	283	–	192	–
Deferred debtors	30	138	30	168
Government grants and subsidies	3,681	–	670	–
Net GST receivable	415	–	–	–
Other debtors	13	–	–	–
Total	6,461	173	2,972	196
Less: provision of impairment				
Rates and annual charges	(341)	(20)	(170)	(12)
User charges and fees	(106)	–	(2)	–
Total provision for impairment – receivables	(447)	(20)	(172)	(12)
TOTAL NET RECEIVABLES	6,014	153	2,800	184

Externally restricted receivables

Water supply

– Rates and availability charges	445	–	262	–
– Other	35	–	256	–

Sewerage services

– Rates and availability charges	129	–	121	–
– Other	–	–	3	–

Domestic waste management

	151	–	160	–
--	-----	---	-----	---

Total external restrictions

	760	–	802	–
--	------------	----------	------------	----------

Unrestricted receivables

	5,254	153	1,998	184
--	--------------	------------	--------------	------------

TOTAL NET RECEIVABLES

	6,014	153	2,800	184
--	--------------	------------	--------------	------------

	2019 \$ '000	2018 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	184	91
+ new provisions recognised during the year	283	93
Balance at the end of the period	467	184

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	132	–	132	–
Stores and materials	825	–	729	–
Total inventories at cost	957	–	861	–
TOTAL INVENTORIES	957	–	861	–

(b) Other assets

Prepayments	125	–	–	–
TOTAL OTHER ASSETS	125	–	–	–

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	1,082	–	861	–
TOTAL INVENTORIES AND OTHER ASSETS	1,082	–	861	–

(i) Other disclosures

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
(a) Details for real estate development				
Residential	132	–	132	–
Total real estate for resale	132	–	132	–

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

Represented by:

Acquisition costs	132	–	132	–
Total costs	132	–	132	–
Total real estate for resale	132	–	132	–

Movements:

Real estate assets at beginning of the year	132	–	132	–
Total real estate for resale	132	–	132	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

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

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

	2019 \$ '000	2018 \$ '000
Real estate for resale	132	132
	<u>132</u>	<u>132</u>

Accounting policy for inventories and other assets**Raw materials and stores, work in progress and finished goods**

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

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

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

	as at 30/6/2018			Asset movements during the reporting period							as at 30/6/2019		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	4,268	–	4,268	1,475	1,443	(34)	–	(3,555)	–	–	3,597	–	3,597
Plant and equipment	12,469	(6,379)	6,090	738	–	(319)	(841)	–	–	–	12,359	(6,691)	5,668
Office equipment	1,448	(1,231)	217	–	–	–	(28)	–	–	–	1,448	(1,259)	189
Land:													
– Operational and Community Land	2,964	–	2,964	–	13	–	–	–	–	2,789	5,766	–	5,766
Infrastructure:													
– Buildings – non-specialised	5,275	(1,076)	4,199	–	–	–	(110)	–	143	–	5,167	(935)	4,232
– Buildings – specialised	18,800	(8,193)	10,607	264	–	–	(374)	–	–	88	19,862	(9,277)	10,585
– Other structures	34,886	(18,982)	15,904	63	620	(42)	(991)	497	(172)	(163)	35,701	(19,985)	15,716
– Roads, bridges and footpaths	143,029	(69,167)	73,862	2,286	6,008	(75)	(3,462)	43	–	13	151,187	(72,512)	78,675
– Bulk earthworks (non-depreciable)	89,049	–	89,049	–	–	–	–	–	–	–	89,049	–	89,049
– Stormwater drainage	14,376	(5,211)	9,165	–	49	–	(193)	2,305	–	–	16,730	(5,404)	11,326
– Water supply network	44,162	(16,860)	27,302	–	73	–	(728)	82	–	428	45,026	(17,869)	27,157
– Sewerage network	29,550	(10,300)	19,250	–	9	–	(180)	31	–	312	30,070	(10,648)	19,422
Other assets:													
– Other	11,986	(3,790)	8,196	13	179	–	(12)	597	29	–	12,792	(3,790)	9,002
Reinstatement, rehabilitation and restoration assets (refer Note 14):													
– Tip assets	2,970	(164)	2,806	1,050	–	–	(110)	–	–	–	4,020	(274)	3,746
– Quarry assets	178	(33)	145	25	–	–	(3)	–	–	–	203	(36)	167
Total Infrastructure, property, plant and equipment	415,410	(141,386)	274,024	5,914	8,394	(470)	(7,032)	–	–	3,467	432,977	(148,680)	284,297

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

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

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

	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	577	–	577	994	2,845	–	–	(148)	–	–	–	4,268	–	4,268
Plant and equipment	12,314	(7,521)	4,793	1,598	–	(240)	(971)	–	–	–	910	12,469	(6,379)	6,090
Office equipment	1,382	(1,203)	179	66	–	–	(28)	–	–	–	–	1,448	(1,231)	217
Land:														
– Operational land	2,592	–	2,592	28	–	–	–	–	–	–	344	2,964	–	2,964
Infrastructure:														
– Buildings – non-specialised	7,078	(2,796)	4,282	–	–	–	(117)	–	1	–	33	5,275	(1,076)	4,199
– Buildings – specialised	20,344	(10,898)	9,446	45	123	(46)	(379)	–	100	–	1,318	18,800	(8,193)	10,607
– Other structures	35,405	(17,464)	17,941	53	231	(1)	(1,068)	25	–	(1,277)	–	34,886	(18,982)	15,904
– Roads	138,203	(66,175)	72,028	3,104	2,416	(28)	(3,792)	123	9	–	2	143,029	(69,167)	73,862
– Bulk earthworks (non-depreciable)	88,342	–	88,342	716	–	–	–	–	(9)	–	–	89,049	–	89,049
– Stormwater drainage	14,376	(5,041)	9,335	–	–	–	(170)	–	–	–	–	14,376	(5,211)	9,165
– Water supply network	43,186	(15,793)	27,393	–	–	–	(654)	–	–	–	563	44,162	(16,860)	27,302
– Sewerage network	28,949	(9,946)	19,003	–	–	–	(148)	–	–	–	395	29,550	(10,300)	19,250
Other assets:														
– Other	12,265	(3,698)	8,567	–	–	–	(86)	–	(101)	(184)	–	11,986	(3,790)	8,196
Reinstatement, rehabilitation and restoration assets (refer Note 14):														
– Tip assets	–	–	–	–	2,970	–	(164)	–	–	–	–	2,970	(164)	2,806
– Quarry assets	–	–	–	–	178	–	(33)	–	–	–	–	178	(33)	145
Total Infrastructure, property, plant and equipment	405,013	(140,535)	264,478	6,604	8,763	(315)	(7,610)	–	–	(1,461)	3,565	415,410	(141,386)	274,024

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	3 to 10	Playground equipment	2 to 15
Office furniture	5 to 10	Benches, seats etc.	5 to 10
Computer equipment	3		
Vehicles	3 to 8	Buildings	
Heavy plant/road making equipment	3 to 8	Buildings: masonry	50 to 100
Other plant and equipment	3 to 20	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	40 to 100	Drains	100
Bores	20 to 40	Culverts	100
Reticulation pipes: PVC	54 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 65		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	8 to 10	Bulk earthworks	Infinite
Sealed roads: structure	100	Swimming pools	50
Unsealed roads	100	Unsealed roads	100
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	50		
Kerb, gutter and footpaths	50		

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

The Rural Fire Services land and buildings within the Walgett Local Government Area are accounted for in these statements under the signed agreement with Council's Zone RFS.

Walgett Shire Council does not account for the "red" fleet assets under this agreement.

Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019			2018		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Water supply						
WIP	799	–	799	575	–	575
Land						
Infrastructure	45,026	17,869	27,157	44,162	16,860	27,302
Total water supply	45,825	17,869	27,956	44,737	16,860	27,877
Sewerage services						
WIP	23	–	23	42	–	42
Land						
Infrastructure	30,070	10,648	19,422	29,550	10,300	19,250
Total sewerage services	30,093	10,648	19,445	29,592	10,300	19,292
Domestic waste management						
Land						
Buildings	24	–	24	–	–	–
Other structures	293	47	246	302	46	256
Other assets	736	368	368	855	376	479
Remediation Assets	3,216	219	2,997	–	–	–
Total DWM	4,269	634	3,635	1,157	422	735
TOTAL RESTRICTED I,PP&E	80,187	29,151	51,036	75,486	27,582	47,904

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Payables				
Goods and services – operating expenditure	2,131	–	1,114	–
Goods and services – capital expenditure	1,413	–	–	–
Accrued expenses:				
– Borrowings	13	–	16	–
– Salaries and wages	234	–	296	–
– Other expenditure accruals	–	–	405	–
Security bonds, deposits and retentions	101	–	99	–
ATO – net GST payable	9	–	44	–
Ratepayer prepayments	324	–	277	–
Other	56	–	–	–
Total payables	4,281	–	2,251	–
Income received in advance				
Payments received in advance	–	–	238	–
Total income received in advance	–	–	238	–
Borrowings				
Loans – secured ¹	707	2,606	617	3,379
Total borrowings	707	2,606	617	3,379
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>4,988</u>	<u>2,606</u>	<u>3,106</u>	<u>3,379</u>

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

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

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	38	–	242	–
Payables and borrowings relating to externally restricted assets	38	–	242	–
Total payables and borrowings relating to restricted assets	38	–	242	–
Total payables and borrowings relating to unrestricted assets	4,950	2,606	2,864	3,379
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>4,988</u>	<u>2,606</u>	<u>3,106</u>	<u>3,379</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

	as at 30/6/2018		New loans \$ '000	Non-cash fair value changes \$ '000	Other non-cash movements \$ '000	as at 30/6/2019	
	Opening Balance \$ '000	Cash flows \$ '000				Closing balance \$ '000	
Loans – secured	3,996	(683)	–	–	–	3,313	
TOTAL	3,996	(683)	–	–	–	3,313	

	as at 30/6/2017		New loans \$ '000	Non-cash fair value changes \$ '000	Other non-cash movements \$ '000	as at 30/6/2018	
	Opening Balance \$ '000	Cash flows \$ '000				Closing balance \$ '000	
Loans – secured	3,905	(609)	700	–	–	3,996	
TOTAL	3,905	(609)	700	–	–	3,996	

	2019 \$ '000	2018 \$ '000

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

Credit cards/purchase cards	23	20
Total financing arrangements	23	20

Drawn facilities as at balance date:

– Credit cards/purchase cards	8	10
Total drawn financing arrangements	8	10

Undrawn facilities as at balance date:

– Credit cards/purchase cards	15	10
Total undrawn financing arrangements	15	10

Additional financing arrangements information**Breaches and defaults**

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

Security over loans

Loans held by Walgett Shire Council with banks are secured by future cash flows.

Bank overdraft

Walgett Shire Council does not have a bank overdraft arrangement.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Provisions				
Employee benefits				
Annual leave	950	–	1,071	–
Sick leave	120	–	114	–
Long service leave	934	152	920	150
Other leave (time in lieu.)	14	–	26	–
Sub-total – aggregate employee benefits	2,018	152	2,131	150
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	4,340	84	3,148
Sub-total – asset remediation/restoration	–	4,340	84	3,148
TOTAL PROVISIONS	2,018	4,492	2,215	3,298

(a) Provisions relating to restricted assets**Externally restricted assets**

Domestic waste management	–	3,472	84	3,050
Provisions relating to externally restricted assets	–	3,472	84	3,050
Total provisions relating to restricted assets	–	3,472	84	3,050
Total provisions relating to unrestricted assets	2,018	1,020	2,131	248
TOTAL PROVISIONS	2,018	4,492	2,215	3,298

	2019 \$ '000	2018 \$ '000
--	-----------------	-----------------

(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,000	1,114
	<u>1,000</u>	<u>1,114</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

(c) Description of and movements in provisions

	ELE provisions				Total \$ '000
	Annual leave \$ '000	Sick leave \$ '000	Long service leave \$ '000	Other employee benefits \$ '000	
2019					
At beginning of year	1,071	114	1,070	26	2,281
Additional provisions	122	2	17	–	141
Amounts used (payments)	(688)	–	(227)	(12)	(927)
Remeasurement effects	444	4	226	–	674
Other	1	–	–	–	1
Total ELE provisions at end of period	950	120	1,086	14	2,170
2018					
At beginning of year	1,042	116	1,041	27	2,226
Additional provisions	29	(2)	29	–	56
Amounts used (payments)	293	(2)	29	(1)	319
Remeasurement effects	(292)	2	(29)	–	(319)
Other	(1)	–	–	–	(1)
Total ELE provisions at end of period	1,071	114	1,070	26	2,281

	Other provisions	
	Asset remediation \$ '000	Total \$ '000
2019		
At beginning of year	3,232	3,232
Changes to provision:		
– Revised life	1,076	1,076
Unwinding of discount	32	32
Total other provisions at end of period	4,340	4,340
2018		
Additional provisions	3,148	3,148
Unwinding of discount	84	84
Total other provisions at end of period	3,232	3,232

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

Rehabilitation

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

(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) Voluntary changes in accounting policies

Nature of changes in accounting policies

Council made no voluntary changes in any accounting policies during the reporting period.

(c) Changes in accounting estimates

Nature and effect of changes in accounting estimates on current year

Council made no changes in accounting estimates during the year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows - additional information

	Notes	2019 \$ '000	2018 \$ '000
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	8,941	19,442
Balance as per the Statement of Cash Flows		8,941	19,442
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		11,336	3,376
Adjust for non-cash items:			
Depreciation and amortisation		7,032	7,610
Net losses/(gains) on disposal of assets		276	(39)
Non-cash capital grants and contributions		(50)	–
Unwinding of discount rates on reinstatement provisions		32	84
Share of net (profits)/losses of associates/joint ventures using the equity method		(3,733)	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(3,496)	1,890
Increase/(decrease) in provision for impairment of receivables		283	93
Decrease/(increase) in inventories		(96)	200
Decrease/(increase) in other current assets		(125)	3
Increase/(decrease) in payables		1,017	(402)
Increase/(decrease) in accrued interest payable		(3)	(3)
Increase/(decrease) in other accrued expenses payable		(467)	(62)
Increase/(decrease) in other liabilities		(168)	30
Increase/(decrease) in provision for employee benefits		(111)	55
Increase/(decrease) in other provisions		1,076	3,148
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		12,803	15,983
(c) Non-cash investing and financing activities			
Other dedications		50	–
Total non-cash investing and financing activities		50	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities

	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
	\$ '000	\$ '000	\$ '000	\$ '000
Joint arrangements	3,733	–	3,733	–
Total	3,733	–	3,733	–

Joint arrangements

(i) County Councils

County Councils as joint ventures

Council is a member of the following county council (which is a body incorporated under the Local Government Act 1993):

- Castlereagh Macquarie County Council

Council is of the opinion that it does not control the above county council and accordingly these entities have not been consolidated or otherwise included within these financial statements.

Accounting policy for joint arrangements

Interests in joint arrangements

The following information is provided for joint arrangements that are individually material to the Council. Included are the amounts as per the individual joint arrangement's financial statements, adjusted for fair-value adjustments, rather than Council/s share.

Council is a member of the Far North West Joint Organisation of Councils (FNWJO). Details of Council's membership and participation is as follows:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities (continued)

Legal status of Joint Organisation

The FNWJO is a separately constituted entity pursuant to Part 7 (Sections 400O to 400ZH) of the Local Government Act (NSW) 1993, as amended, and the Local Government (General Regulation 2008). The Charter of the FNWJO can be found here: <https://www.farnorthwestjo.nsw.gov.au/f.ashx/%24341338%24Far-North-West-JO-Charter.pdf>

The FNWJO has the same year end date as the Council.

What the Joint Organisation does

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

Joint Organisation participants

The percentage ownership interest held is equivalent to the percentage voting rights for all associates as follows:

FNWJO comprises the Councils of the Shires of Bourke, Cobar and Walgett in north western NSW. The Board of the FNWJO comprises 3 voting members being the Mayors of the three member Councils, and non-voting members being the General Managers of the Shires of Bourke and Walgett, as well as 3 appointed members from the State Government and Cabinet (non-voting). The General Manager of the Shire of Cobar is appointed for the time being as the Executive Officer of the Board (non-voting).

Council's powers of control or influence over the Joint Organisation

Walgett Shire Council, as a member of the FNWJO, has a one third voting right in respect to the decisions of the Board.

Council's financial obligations to the Joint Organisation

In accordance with the Charter each member of the FNWJO contributes annual fees towards the operation of the joint organisation. In 2018/2019 the contribution made by Walgett Shire Council was \$10,120.

Council's liability obligations in relation to the Joint Organisation

Members of the FNWJO are indemnified from liability for functions and duties carried out or omitted honestly, in good faith and with due care and diligence.

Liability for operational losses or winding up of the FNWJO

The FNWJO has engaged an Executive Officer on a standard Local Government employment contract for 3 years. The contract in the initial year (2018/2019) is \$75,000. A provision has been provided for ELE and funding from the initial start-up of the FNWJO will cover the 3 year period.

All grant funding received and distributed through the FNWJO will have a 5% administration fee that will remain with the JO.

The FNWJO has recently signed a contract to provide an Air Service to the towns of Bourke, Cobar, Lightning Ridge and Walgett, the contract is Commercial-in-confidence and has a clause to safeguard Councils from any long term liability which is contained within the termination clause. The air service will be supported by funding provided to the FNWJO from the State Government.

There are no liability issues identified for Council in the short to medium term.

Equity Method**Far North West Joint Organization**

2019

\$'000

Summarized Statement of Financial Position

Cash and cash equivalents

12,227

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities (continued)

Current assets	12,227	
Non-current assets	-	
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)		-
Non-current liabilities		
Non-current liabilities (excluding trade and other payables and provisions)		-
Net assets	11,199	
Summarized Statement of Income and other Comprehensive Income		
Revenue	14,172	
Interest income	13	
Depreciation and amortization	-	
Interest expense	-	
Income tax expense	-	
Profit/(loss) from continuing operations	11,199	
Other Comprehensive Income	-	
Total Comprehensive Income	11,199	
Summarized Statement of Cash Flows		
Cash flows from operating activities	11,186	
Cash flows from investing activities	13	
Cash flows from financing activities		-
Net Increase/(Decrease) in cash and cash equivalents	11,199	

Reconciliation of carrying amount of interest in the joint arrangement to summarized financial information for FNWJO accounted for using the Equity method

Walgett Shire Council's share of 33.33% of Net Assets	3,733
Carrying amount	3,733

Accounting policy for Joint arrangements

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

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

If the Council's share of losses of a joint arrangement equals or exceeds its interest in the joint arrangement, the Council discontinues recognizing its share of further losses.

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

	2019 \$ '000	2018 \$ '000
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Other	3,734	–
Total commitments	3,734	–
These expenditures are payable as follows:		
Within the next year	3,734	–
Later than one year and not later than 5 years	–	–
Later than 5 years	–	–
Total payable	3,734	–
Sources for funding of capital commitments:		
Unrestricted general funds	3,734	–
Total sources of funding	3,734	–

Details of capital commitments

Reconstruction and sealing of Shire Road 103 Bugilbone Road, Kerb and Guttering and Footpathing for Wee Waa Street Walgett and Goangra Bridge funded by grants.

(b) Operating lease commitments (non-cancellable)**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	24	24
Later than one year and not later than 5 years	48	72
Total non-cancellable operating lease commitments	72	96

b. Non-cancellable operating leases include the following assets:**Conditions relating to finance and operating leases:**

- All finance agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED**(i) Defined benefit superannuation contribution plans**

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

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

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

Description of the funding arrangements.

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

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

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

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

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

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 \$ 40,401.73. The last valuation of the Scheme was performed by Mr Richard Boyfield on 31 December 2018, and covers the period ended 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$13,000. Council's expected contribution to the plan for the next annual reporting period is \$36,297.72.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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 June 2019 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.

(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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

(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 June 2008.

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Risk management

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

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.

	Carrying value 2019 \$ '000	Carrying value 2018 \$ '000	Fair value 2019 \$ '000	Fair value 2018 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	8,941	19,442	8,941	19,442
Receivables	6,167	2,984	6,167	2,984
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	25,000	15,000	25,000	15,000
Total financial assets	40,108	37,426	40,108	37,426
Financial liabilities				
Payables	4,281	2,251	4,281	2,251
Loans/advances	3,313	3,996	3,313	3,996
Total financial liabilities	7,594	6,247	7,594	6,247

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.

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 these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
2019				
Possible impact of a 1% movement in interest rates	339	339	(339)	(339)
2018				
Possible impact of a 1% movement in interest rates	344	344	(344)	(344)

(b) Credit risk

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

Receivables – rates and annual charges

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

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

Credit risk profile**2019**

Gross carrying amount	–	199	572	282	67	1,120
-----------------------	---	-----	-----	-----	----	-------

2018

Gross carrying amount	–	529	279	230	50	1,088
-----------------------	---	-----	-----	-----	----	-------

Receivables - non-rates and annual charges

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

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

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

2019

Gross carrying amount	5,105	14	136	13	246	5,514
-----------------------	-------	----	-----	----	-----	-------

Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	43.00%	1.92%
------------------------	-------	-------	-------	-------	--------	-------

ECL provision	–	–	–	–	106	106
----------------------	---	---	---	---	-----	-----

2018

Gross carrying amount	1,775	2	32	1	270	2,080
-----------------------	-------	---	----	---	-----	-------

Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.70%	0.09%
------------------------	-------	-------	-------	-------	-------	-------

ECL provision	–	–	–	–	2	2
----------------------	---	---	---	---	---	---

(c) Liquidity risk

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2019							
Trade/other payables	0.00%	101	4,180	–	–	4,281	4,281
Loans and advances	5.03%	–	707	2,099	507	3,313	3,313
Total financial liabilities		101	4,887	2,099	507	7,594	7,594
2018							
Trade/other payables	0.00%	99	2,152	–	–	2,251	2,251
Loans and advances	5.03%	–	667	3,454	1,075	5,196	3,996
Total financial liabilities		99	2,819	3,454	1,075	7,447	6,247

Loan agreement breaches

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 26/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	8,929	9,001	72	1% F
User charges and fees	4,800	3,819	(981)	(20)% U
Council undertook additional ordered works for the Roads and Maritime Services on the State Highways during the year and this was not allowed for in the original budget. In addition to this a number of income items were classified incorrectly as other income.				
Interest and investment revenue	785	956	171	22% F
Increased available funds for investment has resulted in increased interest returns above the original estimates for 18/19.				
Other revenues	2,406	1,131	(1,275)	(53)% U
Some income items in the original budget were classified incorrectly as other revenues when they were in fact user charges and fees.				
Operating grants and contributions	9,724	11,051	1,327	14% F
Additional operational grants were received during 18/19 that were not included in the original budget.				
Capital grants and contributions	8,155	8,808	653	8% F
Joint ventures and associates – net profits	–	3,733	3,733	∞ F
2019 original budget finalised and approved before inception of joint organisation.				
EXPENSES				
Employee benefits and on-costs	8,470	8,072	398	5% F
Borrowing costs	288	206	82	28% F
The original budget made provision for repayment of loans associated with the construction of a new works depot, however this project did not proceed during 18/19 and no loan funds were acquired.				
Materials and contracts	9,070	7,780	1,290	14% F
Increased expenditure associated with operational grants and user charges.				
Depreciation and amortisation	4,696	7,032	(2,336)	(50)% U
The original budget depreciation expense was based upon old values and not the revalued assets from 2018.				
Other expenses	2,921	3,797	(876)	(30)% U

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations (continued)

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

Increased expenditure associated with additional operational grants and user charges.

Net losses from disposal of assets	-	276	(276)	∞	U
---	---	-----	-------	---	----------

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	14,116	12,803	(1,313)	(9)%	U
--	--------	--------	---------	------	----------

Net cash provided from (used in) investing activities	(13,231)	(22,621)	(9,390)	71%	U
--	----------	----------	---------	-----	----------

Greater than expected rate of investment in infrastructure achieved not provided for in the original budget.

Net cash provided from (used in) financing activities	(780)	(683)	97	(12)%	F
--	-------	-------	----	-------	----------

The original budget made provision for additional loans in 18/19 (Works Depot), however these were never taken up during the year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

2019	Notes	Fair value measurement hierarchy			Total	
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9(a)					
Plant and equipment		30/06/18	–	5,668	–	5,668
Office equipment		30/06/14	–	189	–	189
Operational and community land		30/06/18	–	5,766	–	5,766
Buildings – non-specialised		30/06/18	–	4,232	–	4,232
Buildings specialised		30/06/18	–	–	10,585	10,585
Other structures		30/06/18	–	–	15,716	15,716
Roads bridges and footpaths		30/06/15	–	–	78,675	78,675
Bulk earthworks		30/06/15	–	–	89,049	89,049
Stormwater drainage		30/06/15	–	–	11,326	11,326
Water supply network		30/06/17	–	–	27,157	27,157
Sewerage network		30/06/17	–	–	19,422	19,422
Other assets		30/06/16	–	–	9,002	9,002
Tip Assets		30/06/19	–	–	3,746	3,746
Quarry Assets		30/06/19	–	–	167	167
Total infrastructure, property, plant and equipment			–	15,855	264,845	280,700

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9(a)					
Plant and equipment		30/06/18	–	6,090	–	6,090
Office equipment		30/06/14	–	217	–	217
Operational and community land		30/06/18	–	2,964	–	2,964
Buildings – non-specialised		30/06/18	–	4,199	–	4,199
Buildings specialised		30/06/18	–	–	10,607	10,607
Other structures		30/06/18	–	–	15,904	15,904
Roads bridges and footpaths		30/06/15	–	–	73,862	73,862
Bulk earthworks		30/06/15	–	–	89,049	89,049
Stormwater drainage		30/06/15	–	–	9,165	9,165
Water supply network		30/06/17	–	–	27,302	27,302
Sewerage network		30/06/17	–	–	19,250	19,250
Other assets		30/06/16	–	–	8,196	8,196
Tip Assets		30/06/18	–	–	2,806	2,806
Quarry Assets		30/06/18	–	–	145	145
Total infrastructure, property, plant and equipment			–	13,470	256,286	269,756

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

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

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

Council's policy for determining transfers between fair value hierarchies is:

– at the end of the reporting period.

(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:

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

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

Plant and equipment

Plant and Equipment are valued at cost but are disclosed at fair value in the notes excepting major items of plant which were revalued based on observable market values as at 30 June 2018 by Australis Asset Advisory Group. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Examples of assets within these classes are as follows: Graders, trucks, rollers, tractors and motor vehicles.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

Operational, Crown and community land

Operational and Community Land are were revalued as at 30 June 2018 to observable market values by Australis Asset Advisory Group. Crown land is based on the Valuer-General's land value as these are representative of actual market values within the Walgett LGA or an average unit rate based on the Land Value for Crown Land.

As these rates are considered to be observable market evidence they have been classified as a Level 2.

Buildings – specialised

Specialised buildings were valued by Australis Asset Advisory Group as at 30th June 2018, at Fair or Market Value.

This approach estimated the fair value for each building by either componentising the building into significant parts where there was not a comparable building within the Walgett LGA or by using observable market prices for comparable properties within the Walgett LGA..

All buildings were physically inspected and elements such as useful life reassessed.

An independent valuation is conducted every five years and is scheduled for revaluation in 2023. These assets have been classified as Level 2 valuation inputs.

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

Buildings - non-specialised

Non Specialised buildings were valued by Australis Asset Advisory Group as at 30th June 2018, at Fair Value.

This approach estimated the fair value for each building by componentising the building into significant parts.

All buildings were physically inspected and elements such as useful life reassessed.

An independent valuation is conducted every five years and is scheduled for revaluation in 2023. These assets have been classified as Level 3 valuation inputs.

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

Other structures

The majority of this class of assets was valued by SFV as at 30th June 2016, at Fair Value.

The remaining portion is valued utilising the cost approach. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, residual value, asset condition and useful life, will impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

Examples of assets within these classes are as follows:
Waste Depot, Structures other than Buildings and Sale Yards

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

Roads

Roads comprise of road carriageway, roadside shoulders, islands, kerb and guttering. They include sections sealed and unsealed. Road assets were independently valued as at 30th June 2015, at Current Replacement Cost. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, traffic load and frequency, residual value, asset condition and useful life, will impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

An independent valuation is conducted every five years and is scheduled for revaluation in 2020.

Bridges

Bridge assets were independently valued as at 30th June 2015, at Current Replacement Cost. This category consists of all bridges and causeways greater than 6 metres. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. While some elements of value may be supported from market based evidence (Level 2 inputs) other inputs such as, pattern of consumption, traffic load and frequency, residual value, asset condition and useful life will impact significantly on the final determination of the fair value.

These assets have been classified as Level 3 valuation inputs.

Footpaths

Footpath assets were independently valued as at 30th June 2015, at Current Replacement Cost.

The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, traffic load and frequency, residual value, asset condition and useful life, will impact significantly on the final determination of fair value.

These assets have been classified as at Level 3 valuation inputs. Footpaths are inspected annually and condition assessed.

An independent valuation is conducted every five years and is scheduled for revaluation in 2020.

Drainage infrastructure

Stormwater Drainage assets were independently valued as at 30th June 2015, at Current Replacement Cost. Assets within this class comprise pit, traps, pipes and channels. The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors in determination of fair value.

While unit rates based on elements, such as linear metres and pipe diameter, may be supported by market evidence (Level 2) other inputs such as estimates of consumption, residual value, asset condition and useful life, require extensive professional judgement and impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

An independent valuation is conducted every five years. This asset class is scheduled for revaluation in 2020.

Water supply network

Water Supply assets were valued by Australis Asset Advisory Group as at 30th June 2017 at Current Replacement Cost and utilising Fair Value measurement. Assets within this class comprise reservoirs, pumping stations, treatment plant and pipelines. The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors.

While unit rates based on elements, such as linear metres and pipe diameter, may be supported by market evidence (Level

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2) other inputs such as estimates of consumption, residual value, asset condition and useful life, require extensive professional judgement and impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

These assets are indexed each year in line with the NSW Reference Rates manual as published by the Office of Water. Water assets are independently valued every five years and are scheduled for revaluation in 2022.

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

Sewerage network

Sewerage Network assets were valued by Australis Asset Advisory Group as at 30th June 2017 at Current Replacement Cost and utilising Fair Value measurement. Assets within this class comprise pumping stations, treatment plant and pipelines. The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors.

While unit rates based on elements, such as linear metres and pipe diameter, may be supported by market evidence (Level 2) other inputs such as estimates of consumption, residual value, asset condition and useful life, require extensive professional judgement and impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

These assets are indexed each year in line with the NSW Reference Rates manual as published by the Office of Water. Sewerage assets are independently valued every five years and are scheduled for revaluation in 2022.

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

Other Assets

Assets within this class comprise Council's swimming pools and bore baths, other open space/recreational assets and assets that do not fit in any other category.

The Cost Approach was utilised by for the revaluation of major asset items within this category as at 30 June 2019. Assets not included in the 30 June 2019 valuation are valued at cost, with different useful lives and taking into account a range of factors.

Valuations for this asset class were undertaken by Australis Asset Advisory Group as at 30 June 2018.

These assets have been classified as Level 3 valuation inputs.

While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, residual value, asset condition and useful life, required extensive professional judgement and impact significantly on the final determination of fair value.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

	Buildings specialised \$ '000	Other structures \$ '000	Roads, bridges and footpaths \$ '000	Bulk earthworks \$ '000	Stormwater drainage \$ '000
2018					
Opening balance	9,446	17,941	72,028	88,342	9,335
Transfers from/(to) another asset class	100	135	(138)	(9)	–
Purchases (GBV)	168	267	5,375	716	–
Disposals (WDV)	(46)	(1)	(28)	–	–
Depreciation and impairment	(379)	(978)	(3,375)	–	(170)
Revaluation increment to equity (ARR)	1,318	(1,460)	–	–	–
Closing balance	10,607	15,904	73,862	89,049	9,165
2019					
Opening balance	10,607	15,904	73,862	89,049	9,165
Transfers from/(to) another asset class	–	325	43	–	2,305
Purchases (GBV)	264	683	8,294	–	49
Disposals (WDV)	–	(42)	(75)	–	(193)
Depreciation and impairment	(374)	(991)	(3,462)	–	–
Revaluation increment to equity (ARR)	88	(163)	13	–	–
Closing balance	10,585	15,716	78,675	89,049	11,326
			Water supply network \$ '000	Sewer network \$ '000	Other assets \$ '000
2018					
Opening balance			27,393	19,003	8,567
Transfers from/(to) another asset class			–	–	(101)
Depreciation and impairment			(654)	(148)	(86)
Revaluation increment to equity (ARR)			563	395	(184)
Closing balance			27,302	19,250	8,196
2019					
Opening balance			27,302	19,250	8,196
Transfers from/(to) another asset class			82	31	626
Purchases (GBV)			73	9	192
Depreciation and impairment			(728)	(193)	(12)
Revaluation increment to equity (ARR)			428	325	–
Closing balance			27,157	19,422	9,002

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

	Tip assets \$ '000	Quarry assets \$ '000	Total \$ '000
2018			
Opening balance	–	–	252,055
Transfers from/(to) another asset class	–	–	(13)
Purchases (GBV)	2,970	178	9,674
Disposals (WDV)	–	–	(75)
Depreciation and impairment	(164)	(33)	(5,987)
Revaluation increment to equity (ARR)	–	–	632
Closing balance	2,806	145	256,286
2019			
Opening balance	2,806	145	256,286
Transfers from/(to) another asset class	–	–	3,412
Purchases (GBV)	1,050	25	10,639
Disposals (WDV)	–	–	(310)
Depreciation and impairment	(110)	(3)	(5,873)
Revaluation increment to equity (ARR)	–	–	691
Closing balance	3,746	167	264,845

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.

	Fair value (30/6/19) \$ '000	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Buildings specialised	10,585	Cost approach	Unit price
Other structures	15,716	Cost approach	Unit price
Roads, bridges and footpaths	78,675	Cost approach	Unit price
Bulk earthworks	89,049	Cost approach	Unit price
Stormwater drainage	11,326	Cost approach	Asset condition, remaining lives
Water supply network	27,157	Cost approach	Asset condition, remaining lives
Sewer network	19,422	Cost approach	Asset condition, remaining lives
Other assets	9,002	Cost approach	Unit price
Tip assets	3,746	Cost approach	Unit price
Quarry assets	167	Cost approach	Unit price

(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 20. Related Party Transactions

(a) Key management personnel

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

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

	2019 \$ '000	2018 \$ '000
Compensation:		
Short-term benefits	1,206	842
Termination benefits	134	–
Total	1,340	842

(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 \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
2019						
Water cart hire	1	178	–	Annual contracted rate for adhoc work	–	–
Plant and equipment hire	2	234	–	Annual contracted rate for adhoc work	–	–
Employee expenses relating to close family members of KMP	3	112	–	NSW Local Government State Award 2017	–	–
2018						
Water cart hire	1	63	–		–	–
Plant and equipment hire	2	394	–		–	–
Employee expenses relating to close family members of KMP	3	111	–		–	–

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

Note 20. Related Party Transactions (continued)

- 1 Council hires water carts from Mr Manuel Martinez a Council KMP. The hire accepted by Council as part of the annual plant hire tender process.
- 2 Council purchased plant hire from Wintergreen Investments and a Director of the Company is a KMP of Council. Plant hire as part of the annual tender process.
- 3 Close family members of a Council's KMP are employed by the Council under the Local Government Award, on an arms length basis. Two (2) close family members.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Financial result and financial position by fund

	General ¹ 2019 \$ '000	Water 2019 \$ '000	Sewer 2019 \$ '000
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	6,713	1,407	881
User charges and fees	2,972	847	–
Interest and investment revenue	716	111	129
Other revenues	1,115	15	1
Grants and contributions provided for operating purposes	11,030	11	10
Grants and contributions provided for capital purposes	8,663	145	–
Other income			
Share of interests in joint ventures and associates using the equity method	3,733	–	–
Total income from continuing operations	34,942	2,536	1,021
Expenses from continuing operations			
Employee benefits and on-costs	7,461	509	102
Borrowing costs	206	–	–
Materials and contracts	6,148	1,264	368
Depreciation and amortisation	6,124	728	180
Other expenses	3,312	470	15
Net losses from the disposal of assets	276	–	–
Total expenses from continuing operations	23,527	2,971	665
Operating result from continuing operations	11,415	(435)	356
Net operating result for the year	11,415	(435)	356
Net operating result attributable to each council fund	11,415	(435)	356
Net operating result for the year before grants and contributions provided for capital purposes	2,752	(580)	356

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

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

Statement of Financial Position by fund

ASSETS**Current assets**

Cash and cash equivalents	4,595	449	3,897
Investments	11,000	–	–
Receivables	5,405	480	129
Inventories	957	–	–
Other	125	–	–
Total current assets	22,082	929	4,026

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Financial result and financial position by fund (continued)

	General ¹ 2019 \$ '000	Water 2019 \$ '000	Sewer 2019 \$ '000
Non-current assets			
Investments	8,500	2,500	3,000
Receivables	153	–	–
Infrastructure, property, plant and equipment	236,896	27,956	19,445
Investments accounted for using the equity method	3,733	–	–
Total non-current assets	249,282	30,456	22,445
TOTAL ASSETS	271,364	31,385	26,471
LIABILITIES			
Current liabilities			
Payables	4,281	–	–
Income received in advance	38	–	–
Borrowings	707	–	–
Provisions	2,018	–	–
Total current liabilities	7,044	–	–
Non-current liabilities			
Borrowings	2,606	–	–
Provisions	4,492	–	–
Total non-current liabilities	7,098	–	–
TOTAL LIABILITIES	14,142	–	–
Net assets	257,222	31,385	26,471
EQUITY			
Accumulated surplus	97,117	11,381	12,781
Revaluation reserves	160,181	19,966	13,690
Council equity interest	257,298	31,347	26,471
Total equity	257,298	31,347	26,471

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.

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(929)				
Total continuing operating revenue excluding capital grants and contributions ¹	25,958	(3.58)%	(3.88)%	19.95%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	14,788				
Total continuing operating revenue ¹	34,766	42.54%	49.98%	52.54%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions	19,212				
Current liabilities less specific purpose liabilities	5,968	3.22x	5.15x	5.66x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6,309				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	889	7.10x	7.73x	17.78x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	837				
Rates, annual and extra charges collectible	9,954	8.41%	9.48%	10.37%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	33,941				
Monthly payments from cash flow of operating and financing activities	1,777	19.10 mths	17.03 mths	18.81 mths	>3.00 mths

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(3.13)%	(6.27)%	(24.26)%	7.95%	34.87%	30.58%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	36.59%	44.78%	93.41%	92.35%	97.85%	98.99%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.22x	5.15x	(65.79)x	4.98x	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6.33x	6.23x	∞	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	6.00%	7.26%	16.29%	18.74%	13.04%	14.04%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	16.54	13.99	11.15	16.95	124.46	111.52	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

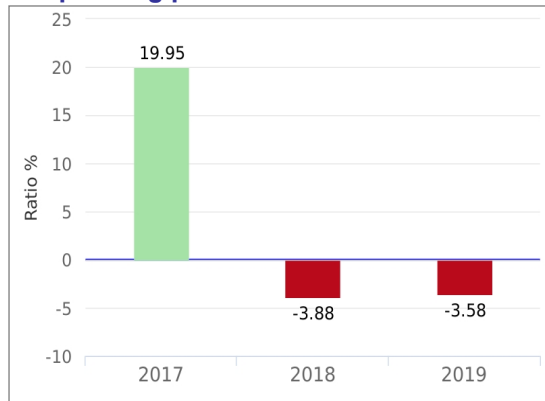
(1) - (2) Refer to Notes at Note 28a above.

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

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

Note 22(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 (3.58)%

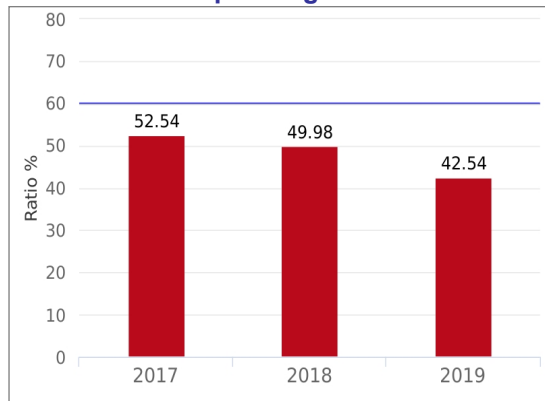
The OLG benchmark is a result greater than >0%, and this years result is very sound given the grant expenditures associated with revenues recognised in previous financial years.

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 42.54%

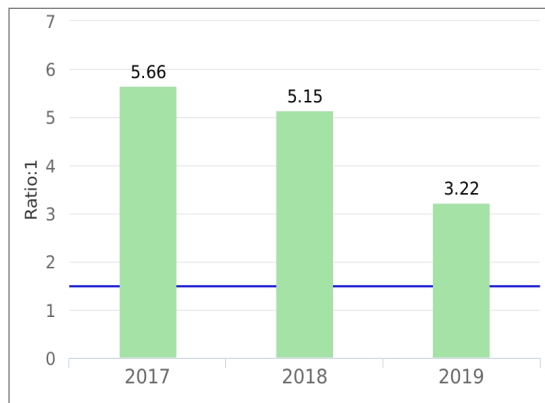
Council has become reliant upon the RMS works for own source user charges revenue, however in 2018/19 the ordered works component was down on previous years and this coupled with increased operational grants has resulted in a reduction in the own source revenue ratio from 49.83% in 2018 to 45.33% in 2019.

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 3.22x

In 2018/2019 Council's increased it's internal restrictions reducing the availability of unrestricted working capital, however the balance of 4.23:1 is very sound.

The OLG benchmark is 1.5.

Benchmark: — > 1.50x

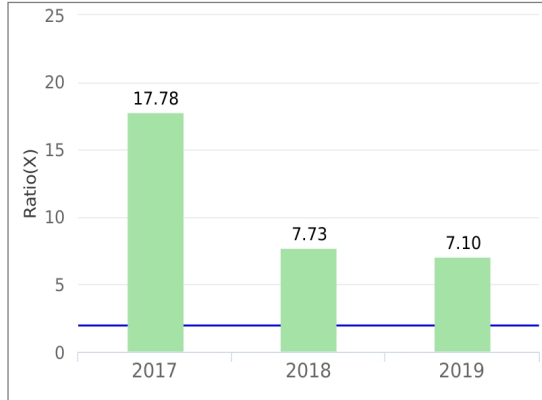
Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
Ratio is outside benchmark

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

Note 22(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 7.10x

The debt service cover ratio remains in a good position for 2018/19 because of Council's low debt balance. The Office of Local Government benchmark is a result greater than 2.

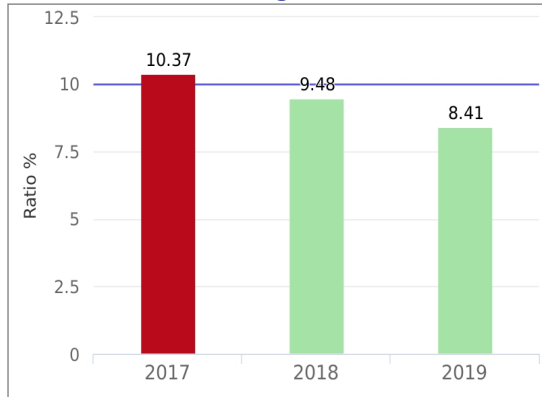
Benchmark: — > 2.00x

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 8.41%

Council continues to operate below the OLG benchmark with its debt recovery program which is making inroads into reducing the outstanding balance despite the continuing drought conditions which is beginning to slow, as an increasing number of ratepayers have chosen to make alternative arrangements to reduce their debt obligations.

The Office of Local Government benchmark is set at 10%

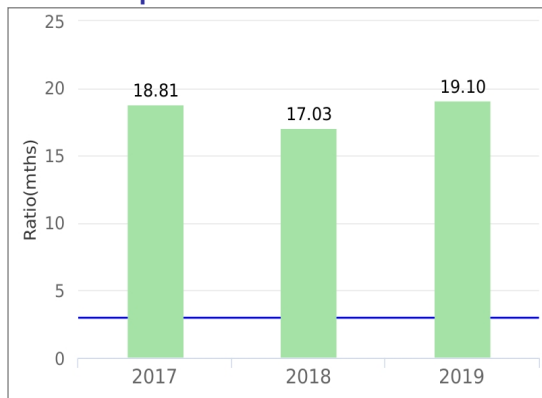
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 19.10 mths

At 30th June 2019 Council has the capacity to cover expenditure for more than 19 months without additional cash inflows.

The OLG benchmark is three (3) months.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Council information and contact details

Principal place of business:

77 Fox Street
Walgett NSW 2832

Contact details

Mailing Address:

PO Box 31
Walgett NSW 2832

Telephone: 02 6828 1399

Facsimile: 02 6828 1399

Opening hours:

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

Internet: www.walgett.nsw.gov.au

Email: admin@walgett.nsw.gov.au

Officers

GENERAL MANAGER]

Gregory Ingham

RESPONSIBLE ACCOUNTING OFFICER

Michael Urquhart

Public Officer

Michael Urquhart

Auditors

Auditor General
New South Wales

Elected members

Mayor

Cr Manuel Martinez

Councillors

Cr Ian Woodcock (Deputy Mayor)

Cr Tanya Cameron

Cr Jane Keir

Cr Bill Murray

Cr Kelly Smith

Cr Michael Taylor

Cr Robbie Turnbull

Cr Lawrence Walford

Other information

ABN: 78 769 076 385



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Walgett Shire Council

To the Councillors of the Walgett Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

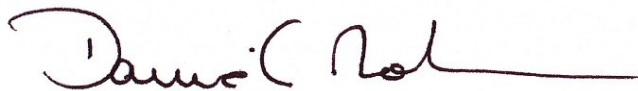
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read "David Nolan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 November 2019
SYDNEY



Cr Manuel Martinez
 Mayor
 Walgett Shire Council
 PO Box 31
 WALGETT NSW 2832

Contact: David Nolan
 Phone no: 02 9275 7377
 Our ref: D1928432/1801

28 November 2019

Dear Mayor

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





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

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

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

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	9	8.8	 2.3
Grants and contributions revenue	19.9	17.04	 16.9
Operating result for the year	11.3	3.4	 232
Net operating result before capital grants and contributions	2.5	(1.1)	 327

Council's operating result (\$11.3 million including the effect of depreciation and amortisation expense of \$7 million) was \$7.9 million higher than the 2017–18 result. This was mainly due to increased capital grants and contributions and the recognition of Council's share of the net assets of the Far North West Joint Organisation (FNWJO) amounting to \$3.7 million.

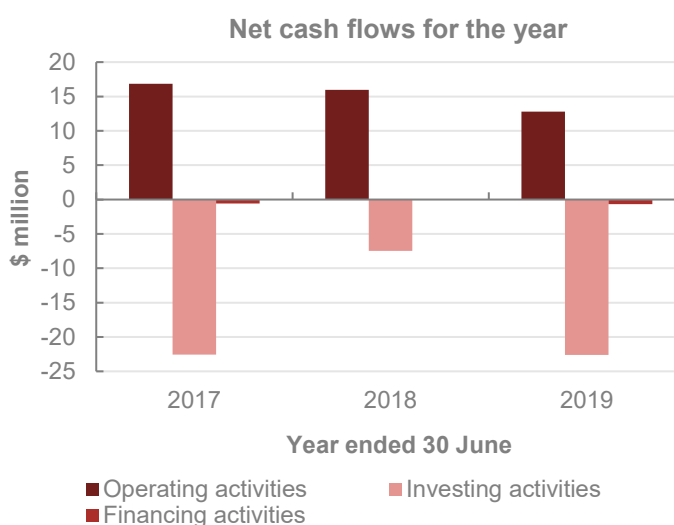
The net operating result before capital grants and contributions (\$2.5 million) was \$3.6 million higher than the 2017–18 result. This was due to recognition of Council's involvement in the FNWJO noted above.

Rates and annual charges revenue (\$9 million) increased by \$0.2 million (2.3 per cent) in 2018–2019.

Grants and contributions revenue (\$19.9 million) increased by \$2.86 million (16.8 per cent) in 2018–2019 due to increased capital funding for road projects.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$10.5 million to \$8.9 million at the close of the year.
- The decrease in cash was due to investing in longer term deposits.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	15.4	17.2	• External restrictions include unspent specific purpose grants and contributions, and domestic waste management, water and sewerage charges, and unexpended loans.
Internal restrictions	12.7	11.1	
Unrestricted	5.9	6.2	
Cash and investments	34	34.5	<ul style="list-style-type: none"> Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.

Debt

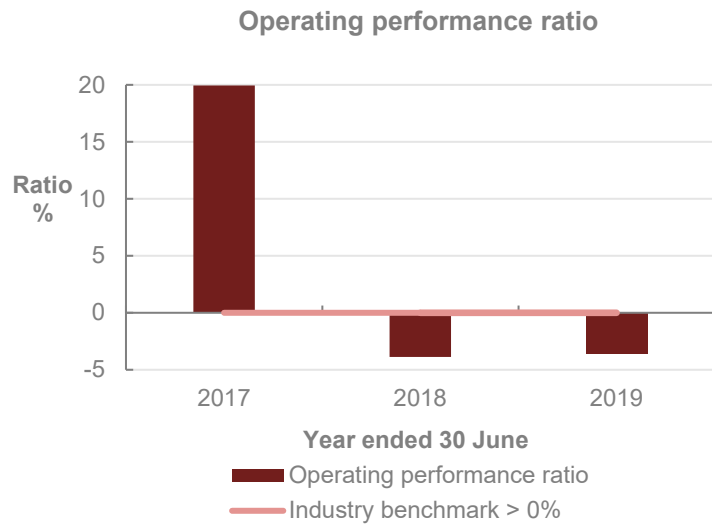
After repaying principal and interest of \$889,000, total debt as at 30 June 2019 was \$3.3 million (2018: \$4 million).

PERFORMANCE

Operating performance ratio

- Council's operating performance indicator of -3.58 per cent in 2018-19 (-3.88 per cent in 2017-18) failed to meet the industry benchmark.
- This is due an operating deficit after excluding capital items and the effects of recognising Council's share of the FNWJO.

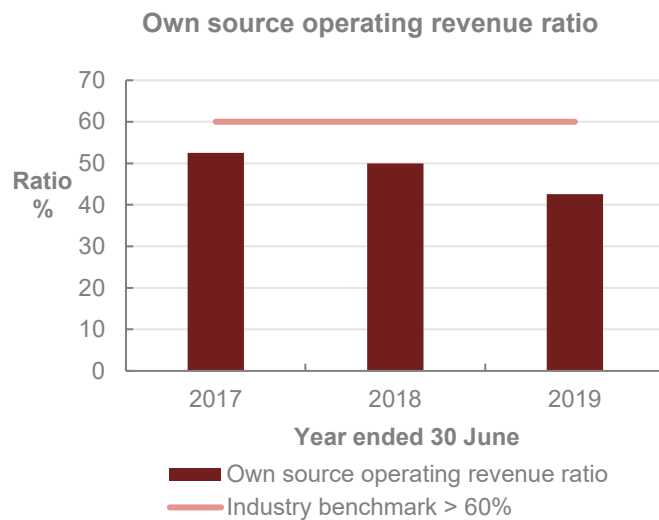
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council's own source operating revenue ratio of 42.5 per cent in 2018-19 (50 per cent in 2017-18) failed to meet the industry benchmark.
- This indicator fluctuates with movements in grants and contributions.

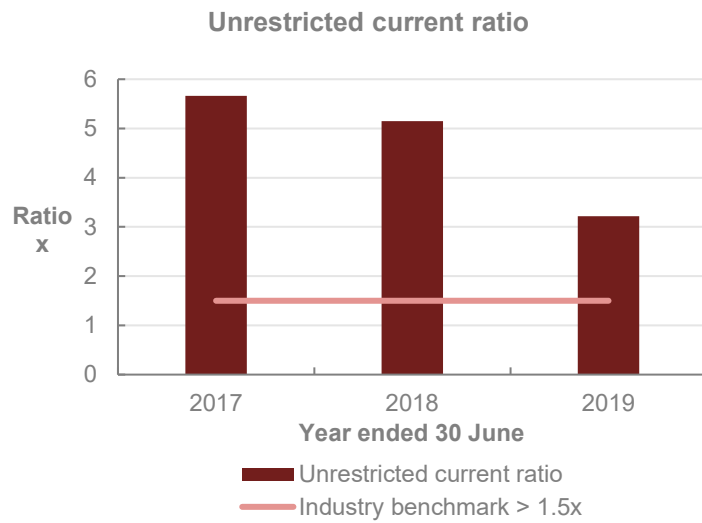
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- This ratio indicated that Council had 3.2 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities.
- Council's unrestricted current ratio decreased to 3.2 as at 30 June 2019 (5.2 for 2018) and exceeded the industry benchmark.
- Contributing to the reduction from the prior year was the investment in longer term deposits

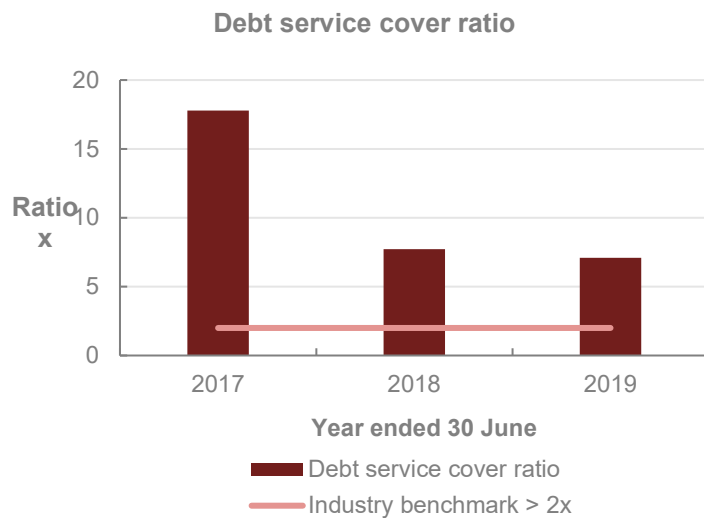
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- The debt service cover ratio for 2018-19 was 7.1 (7.7 in 2017-18) which is below the industry benchmark.

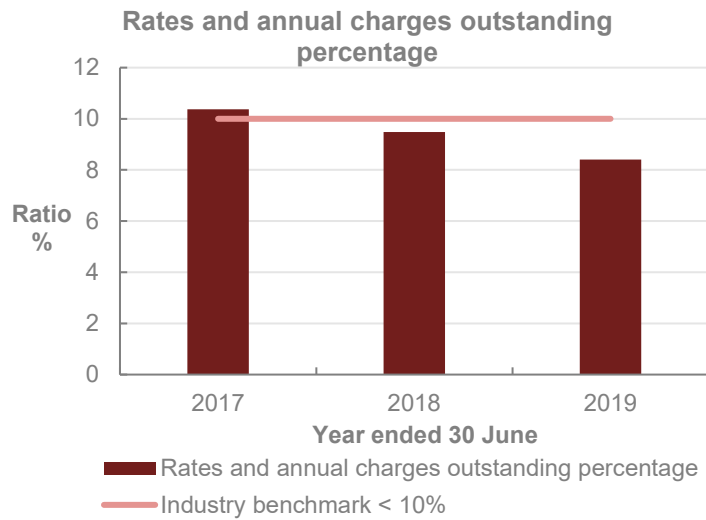
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

- Council's indicator of 8.4 per cent as at 30 June 2019 (9.5 per cent as at 30 June 2018) met the benchmark.

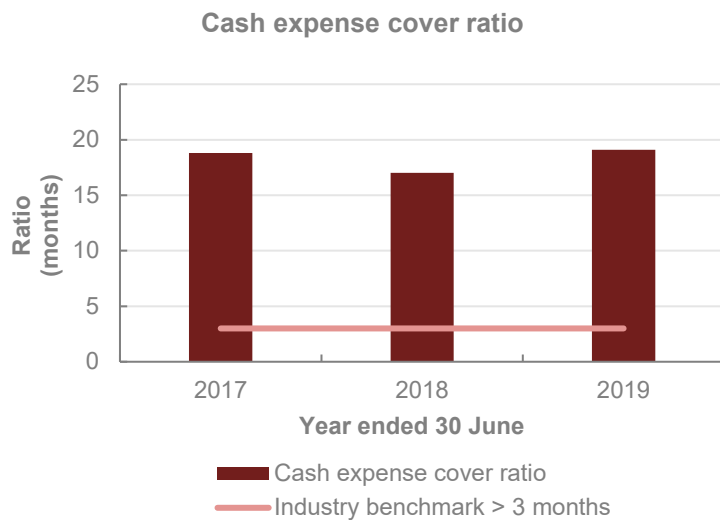
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 19.1 months for 2018-19 (17 months for 2017-18) exceeded the 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 asset renewal additions for the year were \$5.9 million compared \$6.6 million for the prior year
- The level of asset renewals during the year represented 84 percent of the total depreciation expense (\$7 million) for the year.

OTHER MATTERS

New accounting standards implemented

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

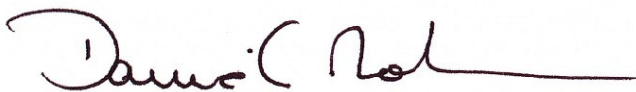
Legislative compliance

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.

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- 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: Greg Ingham, General Manager
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Walgett Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

*That the community utilise the opportunities that arise from
our environment, to improve their quality of life, while
embracing its ethnic and social diversity to the benefit of all.*



Special Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Note 1 – Significant Accounting Policies	8
Auditor's Report on Special Purpose Financial Statements	11

Walgett Shire Council

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:

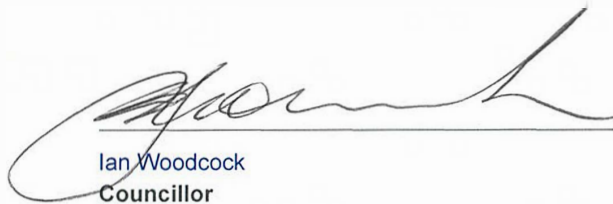
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 29 October 2019.



Manuel Martinez
Mayor
29 October 2019



Ian Woodcock
Councillor
29 October 2019



Gregory Ingham
General Manager
29 October 2019



Michael Urquhart
Responsible Accounting Officer
29 October 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

	2019 \$ '000	2018 \$ '000
Income from continuing operations		
Access charges	1,407	1,398
User charges	503	609
Fees	344	303
Interest	111	99
Grants and contributions provided for non-capital purposes	11	12
Other income	15	6
Total income from continuing operations	2,391	2,427
Expenses from continuing operations		
Employee benefits and on-costs	509	453
Materials and contracts	1,264	592
Depreciation, amortisation and impairment	728	654
Other expenses	470	535
Total expenses from continuing operations	2,971	2,234
Surplus (deficit) from continuing operations before capital amounts	(580)	193
Grants and contributions provided for capital purposes	145	188
Surplus (deficit) from continuing operations after capital amounts	(435)	381
Surplus (deficit) from all operations before tax	(435)	381
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(53)
SURPLUS (DEFICIT) AFTER TAX	(435)	328
Plus accumulated surplus	11,816	11,381
Plus/less: prior period adjustments	–	54
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	53
Closing accumulated surplus	11,381	11,816
Return on capital %	(2.1)%	0.7%
Subsidy from Council	949	540
Calculation of dividend payable:		
Surplus (deficit) after tax	(435)	328
Less: capital grants and contributions (excluding developer contributions)	(145)	(188)
Surplus for dividend calculation purposes	–	140
Potential dividend calculated from surplus	–	70

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

	2019 \$ '000	2018 \$ '000
Income from continuing operations		
Access charges	881	862
Fees	–	1
Interest	129	116
Grants and contributions provided for non-capital purposes	10	10
Other income	1	2
Total income from continuing operations	1,021	991
Expenses from continuing operations		
Employee benefits and on-costs	102	133
Materials and contracts	368	392
Depreciation, amortisation and impairment	180	148
Other expenses	15	15
Total expenses from continuing operations	665	688
Surplus (deficit) from continuing operations before capital amounts	356	303
Surplus (deficit) from continuing operations after capital amounts	356	303
Surplus (deficit) from all operations before tax	356	303
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(98)	(83)
SURPLUS (DEFICIT) AFTER TAX	258	220
Plus accumulated surplus	12,425	12,125
Plus/less: prior period adjustments	–	(3)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	98	83
Closing accumulated surplus	12,781	12,425
Return on capital %	1.8%	1.6%
Subsidy from Council	–	204
Calculation of dividend payable:		
Surplus (deficit) after tax	258	220
Surplus for dividend calculation purposes	258	220
Potential dividend calculated from surplus	129	110

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

	2019 \$ '000	2018 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	449	687
Receivables	480	518
Total current assets	929	1,205
Non-current assets		
Investments	2,500	2,500
Infrastructure, property, plant and equipment	27,956	27,877
Total non-current assets	30,456	30,377
TOTAL ASSETS	31,385	31,582
LIABILITIES		
Current liabilities		
Payables	–	226
Income received in advance	38	16
Total current liabilities	38	242
TOTAL LIABILITIES	38	242
NET ASSETS	31,347	31,340
EQUITY		
Accumulated surplus	11,381	11,816
Revaluation reserves	19,966	19,524
TOTAL EQUITY	31,347	31,340

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

	2019 \$ '000	2018 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	3,897	3,394
Receivables	129	124
Total current assets	4,026	3,518
Non-current assets		
Investments	3,000	3,000
Infrastructure, property, plant and equipment	19,445	19,292
Total non-current assets	22,445	22,292
TOTAL ASSETS	26,471	25,810
NET ASSETS	26,471	25,810
EQUITY		
Accumulated surplus	12,781	12,425
Revaluation reserves	13,690	13,385
TOTAL EQUITY	26,471	25,810

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Walgett Shire Council Combined Water Supply Services

Council's water supply activities servicing the towns of Walgett, Lightning Ridge and villages.

b. Walgett Shire Council Combined Sewerage Services

Council's sewerage reticulation & treatment activity servicing the towns of Walgett, Lightning Ridge and Collarenebri.

Category 2

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

NIL

Monetary amounts

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

(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 \$4,321,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,321,000 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.

Walgett Shire Council did not pay a dividend in this financial year.

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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.

Walgett Shire Council did not pay a dividend in this financial year. All dividends stated within these accounts are notional.



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Walgett Shire Council

To the Councillors of the Walgett Shire Council

Opinion

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

The declared business activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

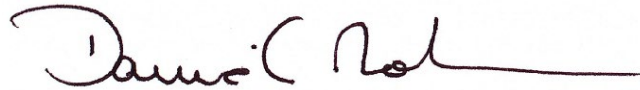
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, reading "David Nolan". The signature is written in a cursive style with a long horizontal line extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 November 2019
SYDNEY

Walgett Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

*That the community utilise the opportunities that arise from
our environment, to improve their quality of life, while
embracing its ethnic and social diversity to the benefit of all.*



Special Schedules

for the year ended 30 June 2019

Contents

Page

Special Schedules

Permissible income for general rates

3

Report on Infrastructure Assets - Values

7

Permissible income for general rates

		Calculation 2019/20 \$ '000	Calculation 2018/19 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	5,519	5,374
Plus or minus adjustments ²	b	(4)	15
Notional general income	$c = a + b$	5,515	5,389
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	149	124
Sub-total	$k = (c + g + h + i + j)$	5,664	5,513
Plus (or minus) last year's carry forward total	l	4	10
Sub-total	$n = (l + m)$	4	10
Total permissible income	$o = k + n$	5,668	5,523
Less notional general income yield	p	5,662	5,519
Catch-up or (excess) result	$q = o - p$	6	4
Less unused catch-up ⁵	s	(4)	—
Carry forward to next year ⁶	$t = q + r + s$	2	4

Notes

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



INDEPENDENT AUDITOR'S REPORT
Special Schedule - Permissible income for general rates
Walgett Shire Council

To the Councillors of Walgett Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

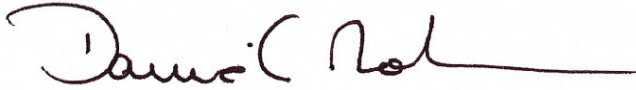
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read "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

28 November 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	1,113	1,113	89	129	4,232	5,167	15.0%	30.0%	25.0%	25.0%	5.0%
	Buildings – specialised	500	500	399	423	10,585	19,862	30.0%	22.0%	15.0%	28.0%	5.0%
	Sub-total	1,613	1,613	488	552	14,817	25,029	26.9%	23.7%	17.1%	27.4%	4.9%
Other structures	Other structures	3,119	3,119	72	86	15,716	35,701	17.0%	18.0%	18.0%	18.0%	29.0%
	Sub-total	3,119	3,119	72	86	15,716	35,701	17.0%	18.0%	18.0%	18.0%	29.0%
Roads	Roads, Bridges, Footpaths	3,520	3,520	3,167	3,821	78,675	151,187	17.0%	15.0%	40.0%	14.0%	14.0%
	Bulk earthworks	–	–	–	–	89,049	89,049	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	3,520	3,520	3,167	3,821	167,724	240,236	47.8%	9.4%	25.2%	8.8%	8.8%
Water supply network	Water supply network	6,100	6,100	1,794	2,005	27,157	45,190	15.0%	20.0%	25.0%	30.0%	10.0%
	Sub-total	6,100	6,100	1,794	2,005	27,157	45,190	15.0%	20.0%	25.0%	30.0%	10.0%
Sewerage network	Sewerage network	1,936	1,936	776	489	19,422	30,070	2.0%	45.0%	3.0%	47.0%	3.0%
	Sub-total	1,936	1,936	776	489	19,422	30,070	2.0%	45.0%	3.0%	47.0%	3.0%
Stormwater drainage	Stormwater drainage	145	145	50	45	9,002	12,792	5.0%	1.0%	90.0%	4.0%	0.0%
	Sub-total	145	145	50	45	11,326	12,792	5.0%	1.0%	90.0%	4.0%	0.0%
TOTAL - ALL ASSETS		16,433	16,433	6,347	6,998	256,162	389,018	34.9%	14.8%	24.4%	16.1%	9.8%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	4,838	80.13%	59.64%	142.05%	>=100.00%
Depreciation, amortisation and impairment	6,038				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	16,433	6.42%	6.47%	8.89%	<2.00%
Net carrying amount of infrastructure assets	256,162				
Asset maintenance ratio					
Actual asset maintenance	6,998	110.26%	75.49%	72.83%	>100.00%
Required asset maintenance	6,347				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	16,433	4.22%	4.10%	4.58%	
Gross replacement cost	389,018				

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

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	94.31%	68.30%	–	–	–	–	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	4.01%	3.99%	22.46%	22.34%	9.97%	10.06%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	119.25%	74.29%	111.76%	86.41%	63.02%	74.19%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	2.68%	2.53%	13.50%	13.81%	6.44%	6.55%	

(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.