



Greater
Hume
Council

Annual Financial Statements

For the year ended 30 June 2019



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Council

General Purpose Financial Statements

For the year ended 30 June 2019

General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

39 Young Street
Holbrook NSW 2644

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

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

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

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

Greater Hume Shire Council

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

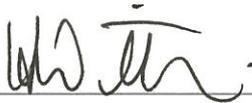
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

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

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

Signed in accordance with a resolution of Council made on 25 September 2019.



Councillor Heather Wilton
Mayor
25 September 2019



Councillor Doug Meyer OAM
Councillor
25 September 2019



Steven Pinnuck
General Manager
25 September 2019



Dean Hart
Responsible Accounting Officer
25 September 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
11,122	Rates and annual charges	3a	11,277	10,886
7,133	User charges and fees	3b	7,364	7,423
628	Interest and investment revenue	3c	634	562
387	Other revenues	3d	553	559
8,430	Grants and contributions provided for operating purposes	3e,3f	8,875	11,346
2,006	Grants and contributions provided for capital purposes	3e,3f	7,176	9,575
29,706	Total income from continuing operations		35,879	40,351
Expenses from continuing operations				
8,945	Employee benefits and on-costs	4a	9,631	9,197
235	Borrowing costs	4b	260	264
6,960	Materials and contracts	4c	7,175	8,155
7,886	Depreciation and amortisation	4d	8,588	7,823
3,121	Other expenses	4e	3,233	2,835
–	Net losses from the disposal of assets	5	133	1,362
27,147	Total expenses from continuing operations		29,020	29,636
2,559	Net operating result for the year		6,859	10,715
553	Net operating result for the year before grants and contributions provided for capital purposes		(317)	1,140

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		6,859	10,715
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	9(a)	857	2,898
Total items which will not be reclassified subsequently to the operating result		857	2,898
Total other comprehensive income for the year		857	2,898
Total comprehensive income for the year		7,716	13,613
Total comprehensive income attributable to Council		7,716	13,613

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	7,792	9,761
Investments	6(b)	16,195	12,710
Receivables	7	5,048	6,393
Inventories	8a	2,602	2,289
Other	8b	28	84
Total current assets		<u>31,665</u>	<u>31,237</u>
Non-current assets			
Receivables	7	12	13
Infrastructure, property, plant and equipment	9(a)	492,051	485,528
Intangible assets	10	258	241
Total non-current assets		<u>492,321</u>	<u>485,782</u>
TOTAL ASSETS		<u>523,986</u>	<u>517,019</u>
LIABILITIES			
Current liabilities			
Payables	11	3,098	3,775
Income received in advance	11	374	339
Borrowings	11	539	589
Provisions	12	3,195	3,015
Total current liabilities		<u>7,206</u>	<u>7,718</u>
Non-current liabilities			
Payables	11	1,222	983
Borrowings	11	3,769	4,305
Provisions	12	620	560
Total non-current liabilities		<u>5,611</u>	<u>5,848</u>
TOTAL LIABILITIES		<u>12,817</u>	<u>13,566</u>
Net assets		<u>511,169</u>	<u>503,453</u>
EQUITY			
Accumulated surplus	13a	266,604	259,745
Revaluation reserves	13a	244,565	243,708
Council equity interest		<u>511,169</u>	<u>503,453</u>
Total equity		<u>511,169</u>	<u>503,453</u>

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

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

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		259,745	243,708	503,453	249,030	240,810	489,840
Net operating result for the year		6,859	–	6,859	10,715	–	10,715
Other comprehensive income							
– Gain on revaluation of IPP&E	9(a)	–	857	857	–	2,898	2,898
Other comprehensive income		–	857	857	–	2,898	2,898
Total comprehensive income		6,859	857	7,716	10,715	2,898	13,613
Equity – balance at end of the reporting period		266,604	244,565	511,169	259,745	243,708	503,453

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
11,122	Rates and annual charges		11,284	10,717
7,133	User charges and fees		10,504	6,180
625	Investment and interest revenue received		523	741
10,396	Grants and contributions		13,536	15,524
–	Bonds, deposits and retention amounts received		697	227
371	Other		2,485	2,369
<u>Payments</u>				
(8,945)	Employee benefits and on-costs		(9,484)	(9,235)
(6,911)	Materials and contracts		(9,431)	(10,390)
(242)	Borrowing costs		(233)	(247)
–	Bonds, deposits and retention amounts refunded		(497)	(333)
(3,121)	Other		(3,293)	(3,030)
10,428	Net cash provided (or used in) operating activities	14b	16,091	12,523
Cash flows from investing activities				
<u>Receipts</u>				
600	Sale of investment securities		12,710	10,600
–	Sale of real estate assets		135	275
180	Sale of infrastructure, property, plant and equipment		1,291	445
9	Deferred debtors receipts		22	–
<u>Payments</u>				
–	Purchase of investment securities		(16,195)	(3,270)
(9,801)	Purchase of infrastructure, property, plant and equipment		(14,884)	(15,926)
–	Purchase of real estate assets		(469)	(157)
–	Purchase of intangible assets		(84)	–
–	Deferred debtors and advances made		–	(54)
(9,012)	Net cash provided (or used in) investing activities		(17,474)	(8,087)
Cash flows from financing activities				
<u>Payments</u>				
(595)	Repayment of borrowings and advances		(586)	(589)
(595)	Net cash flow provided (or used in) financing activities		(586)	(589)
821	Net increase/(decrease) in cash and cash equivalents		(1,969)	3,847
4,834	Plus: cash and cash equivalents – beginning of year	14a	9,761	5,914
5,655	Cash and cash equivalents – end of the year	14a	7,792	9,761
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	16,195	12,710
5,655	Total cash, cash equivalents and investments		23,987	22,471

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Greater Hume Shire Council

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 25 September 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 18 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

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

(b) Historical cost convention

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

(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(a)
- (ii) estimated tip remediation provisions – refer Note 12
- (iii) employee benefit provisions – refer Note 12.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service.

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

Council's assessment of these new standards and interpretations are set out below:

AASB 16 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 during 2018/19 under operating leases (net of any incentives received from the lessor) have been charged to the income statement, calculated on a straight-line basis over the period of the lease.

AASB 16 will result (for YE 2019/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council with the distinction between operating and finance leases removed.

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

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - *Leases*.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1 July 2019).

Council currently has lease liabilities of \$196K which are likely to be brought to account. This will result in a non-current right of use asset and recognition of a lease liability which will be separated into a current and non-current component.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net assets (as at 1 July 2019) will be unaffected while net current assets will be \$55K lower due to the presentation of a portion of the lease liability as a current liability.

From a financial performance standpoint, Council expects that the effect on net operating result will be immaterial.

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

AASB 15 Revenue from Contracts with Customers and associated amending standards and AASB 1058 Income of Not For Profit Entities

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to represent 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.

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.

The impact of these standards on the financial statements will vary each year.

Based on the revenue stream for the current year, the impact on the Statement of Financial Performance would be a reduction in revenue of \$777K with a corresponding reduction in net operating result for the year. The impact on the Statement of Financial Position would be an increase in current liabilities of \$777K.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Governance	16	27	1,124	977	(1,108)	(950)	–	12	26	36
Administration	407	335	3,355	2,806	(2,948)	(2,471)	66	–	39,330	40,381
Public order and safety	509	522	1,036	1,961	(527)	(1,439)	76	241	3,841	3,355
Health	156	170	143	237	13	(67)	–	–	3	22
Environment	2,660	3,043	1,703	1,869	957	1,174	103	213	1,842	1,254
Community services and education	1,287	998	1,316	944	(29)	54	396	263	4,627	4,688
Housing and community amenities	627	453	790	729	(163)	(276)	–	–	2,828	2,754
Water supplies	2,335	2,237	1,995	1,837	340	400	–	17	21,909	21,832
Sewerage services	2,242	1,748	1,719	1,605	523	143	–	31	33,697	33,546
Recreation and culture	1,111	1,644	3,699	3,471	(2,588)	(1,827)	954	956	37,098	36,265
Mining, manufacturing and construction	122	147	534	351	(412)	(204)	–	–	250	253
Transport and communication	9,416	14,837	10,610	12,100	(1,194)	2,737	3,336	4,283	371,885	365,922
Economic affairs	843	671	996	749	(153)	(78)	–	53	6,650	6,711
General purpose income	14,148	13,519	–	–	14,148	13,519	5,445	5,007	–	–
Total functions and activities	35,879	40,351	29,020	29,636	6,859	10,715	10,376	11,076	523,986	517,019

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 and safety

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

Health

Includes administration of health regulations.

Environment

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

Community services and education

Includes youth services, aged and disabled persons services and children's' services including family day care and child care.

Housing and community amenities

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

Water supplies

Includes the provision of reticulated water to villages in the Greater Hume Shire area.

Sewerage services

Includes the provision of reticulated sewerage and common effluent services to villages in the Greater Hume Shire area.

Recreation and culture

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

Mining, manufacturing and construction

Includes building control and quarries and pits.

Transport and communication

Includes urban, rural and regional roads, including sealed and unsealed roads, bridges, footpaths, kerb and gutter, parking areas, and aerodromes. Also includes natural disaster repair works and RMCC works.

Economic affairs

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

General purpose income

Includes general rates, general component of FAG grant and interest income.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	3,068	2,959
Farmland	5,000	4,902
Business	248	235
Less: pensioner rebates (mandatory)	(184)	(182)
Rates levied to ratepayers	8,132	7,914
Pensioner rate subsidies received	106	101
Total ordinary rates	8,238	8,015
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	777	747
Water supply services	661	642
Sewerage services	1,319	1,300
Waste management services (non-domestic)	167	158
Less: pensioner rebates (mandatory)	(51)	(52)
Annual charges levied	2,873	2,795
Pensioner subsidies received:		
– Water	91	17
– Sewerage	42	31
– Domestic waste management	33	28
Total annual charges	3,039	2,871
TOTAL RATES AND ANNUAL CHARGES	11,277	10,886

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Domestic waste management services	146	143
Sewerage services	267	219
Waste management services (non-domestic)	13	13
Water supply services	1,251	1,114
Other	2	–
Total specific user charges	1,679	1,489
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Animal control	56	43
Building regulation	116	136
Health administration	129	141
Planning and building regulation	12	16
Section 10.7 certificates (EP&A Act)	37	28
Section 603 certificates	34	29
Tapping fees	49	59
Town planning	106	113
Other	–	2
Total fees and charges – statutory/regulatory	539	567
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aged care	56	50
Aged persons rents and fees	160	175
Asbestos waste disposal charges	1,052	1,579
Caravan park	40	44
Cemeteries	67	59
Child care	57	–
Community technology centre	25	107
Family day care	543	452
Leaseback fees – Council vehicles	67	70
Private works	568	406
Recycling income (non-domestic)	58	96
RMS (formerly RTA) charges (state roads not controlled by Council)	2,285	2,158
Sports stadium	25	25
Swimming centres	84	85
Tourism	24	27
Other	35	34
Total fees and charges – other	5,146	5,367
TOTAL USER CHARGES AND FEES	7,364	7,423

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	62	55
– Cash and investments	572	507
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>634</u>	<u>562</u>

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

Overdue rates and annual charges (general fund)	32	31
General Council cash and investments	428	390

Restricted investments/funds – external:

Development contributions		
– Section 7.11	5	8
Water fund operations	73	52
Sewerage fund operations	96	81
Total interest and investment revenue	<u>634</u>	<u>562</u>

Accounting policy for interest and investment revenue

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

(d) Other revenues

Advertising	9	5
Commissions and agency fees	36	34
Diesel rebate	67	64
Insurance claims recoveries	71	142
Legal fees recovery – other	1	2
Legal fees recovery – rates and charges (extra charges)	50	35
Rental income – other council properties	268	225
Sales – miscellaneous	23	34
Other	28	18
<u>TOTAL OTHER REVENUE</u>	<u>553</u>	<u>559</u>

Accounting policy for other revenue

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,645	1,513	–	–
Financial assistance – local roads component	1,028	995	–	–
Payment in advance - future year allocation				
Financial assistance – general component	1,705	1,552	–	–
Financial assistance – local roads component	1,067	1,023	–	–
Total general purpose	5,445	5,083	–	–
Specific purpose				
Bushfire and emergency services	76	241	–	–
Child care	399	263	137	83
Crown Land	66	–	–	–
Library	79	77	–	–
LIRS subsidy	32	36	–	–
Natural disaster relief	74	1,241	–	–
Noxious weeds	94	185	–	–
Recreation and culture	–	–	734	196
Swimming pools	–	–	–	600
Tourism and economic development	–	34	–	19
Transport (other roads and bridges funding)	–	6	2,693	883
Transport (roads to recovery)	531	2,116	–	–
Other	16	13	–	–
Total specific purpose	1,367	4,212	3,564	1,781
Total grants	6,812	9,295	3,564	1,781
Grant revenue is attributable to:				
– Commonwealth funding	6,081	7,198	–	600
– State funding	718	2,067	3,564	1,179
– Other funding	13	30	–	2
	6,812	9,295	3,564	1,781

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	16	17
S 7.12 – fixed development consent levies		–	–	197	181
S 64 – water supply contributions		–	–	144	149
S 64 – sewerage service contributions		–	–	247	107
Other developer contributions		–	–	423	29
Total developer contributions – cash		–	–	1,027	483
Total developer contributions	22	–	–	1,027	483
Other contributions:					
Cash contributions					
Bushfire services		25	74	345	159
Drainage		–	–	–	44
Kerb and gutter		–	–	9	23
Noxious weeds		–	59	–	–
Real Estate Development		–	–	83	–
Recreation and culture		4	6	63	389
RMS contributions (regional roads, block grant)		1,859	1,771	765	850
Road safety officer		93	94	–	–
Roads and bridges		1	–	18	32
Sewerage (excl. section 64 contributions)		–	–	8	–
Other		81	47	80	13
Total other contributions – cash		2,063	2,051	1,371	1,510
Non-cash contributions					
Drainage		–	–	331	–
Recreation and culture		–	–	–	6
Roads and bridges		–	–	512	5,588
Sewerage (excl. section 64 contributions)		–	–	254	–
Water supplies (excl. section 64 contributions)		–	–	66	205
Other		–	–	51	2
Total other contributions – non-cash		–	–	1,214	5,801
Total other contributions		2,063	2,051	2,585	7,311
Total contributions		2,063	2,051	3,612	7,794
TOTAL GRANTS AND CONTRIBUTIONS		8,875	11,346	7,176	9,575

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

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

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

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

Non-cash contributions

During the 2018-19 financial year Council was gifted infrastructure assets to a total value of \$1,214K. These assets relate to subdivision developments completed during the financial year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

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

Operating grants

Unexpended at the close of the previous reporting period	139	101
Add: operating grants recognised in the current period but not yet spent	81	86
Less: operating grants recognised in a previous reporting period now spent	(45)	(48)
Unexpended and held as restricted assets (operating grants)	175	139

Unexpended operating grants relate mainly to noxious weeds management, library activities and Crown Lands management. These amounts are expected to be spent during the next 12 months.

Capital grants

Unexpended at the close of the previous reporting period	400	125
Add: capital grants recognised in the current period but not yet spent	778	359
Less: capital grants recognised in a previous reporting period now spent	(382)	(84)
Unexpended and held as restricted assets (capital grants)	796	400

Unexpended capital grants relate to funding received for the North Henty Rail Crossing and grants received under the Stronger Country Communities Fund for infrastructure programs within the Greater Hume Shire. SCCF projects will be completed during 2019/20.

Contributions

Unexpended at the close of the previous reporting period	1,278	1,416
Add: contributions recognised in the current period but not yet spent	638	491
Less: contributions recognised in a previous reporting period now spent	(79)	(629)
Unexpended and held as restricted assets (contributions)	1,837	1,278

Unexpended contributions are developer contributions which may only be expended for the purposes for which the contributions were required and will be expended in future years.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	7,804	7,511
Travel expenses	147	133
Employee leave entitlements (ELE)	1,078	843
Superannuation – defined contribution plans	713	676
Superannuation – defined benefit plans	190	205
Workers' compensation insurance	216	310
Fringe benefit tax (FBT)	18	34
Payroll tax	1	5
Training costs (other than salaries and wages)	177	114
Protective clothing	50	42
Other	114	111
Total employee costs	10,508	9,984
Less: capitalised costs	(877)	(787)
TOTAL EMPLOYEE COSTS EXPENSED	9,631	9,197

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.

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		229	242
Total interest bearing liability costs expensed		229	242
(ii) Other borrowing costs			
– Remediation liabilities	12	31	22
Total other borrowing costs		31	22
TOTAL BORROWING COSTS EXPENSED		260	264

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	1,984	1,690
Contractor and consultancy costs	5,029	6,291
Auditors remuneration ¹	79	93
Legal expenses:		
– Legal expenses: planning and development	15	15
– Legal expenses: debt recovery	52	48
– Legal expenses: other	16	18
Total materials and contracts	7,175	8,155
TOTAL MATERIALS AND CONTRACTS	7,175	8,155

1. Auditor remuneration

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

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

Audit and review of financial statements	59	61
Remuneration for audit and other assurance services	59	61

Total Auditor-General remuneration**Non NSW Auditor-General audit firms****(i) Audit and other assurance services**

Internal Audit and Audit Committee Services	20	25
Other Audit Services	–	7
Remuneration for audit and other assurance services	20	32

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

	79	93
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		757	930
Office equipment		37	37
Furniture and fittings		14	38
Infrastructure:			
– Buildings – non-specialised		356	329
– Buildings – specialised		612	780
– Other structures		905	598
– Roads		4,371	3,820
– Stormwater drainage		94	86
– Water supply network		420	406
– Sewerage network		581	566
– Swimming pools		366	189
Reinstatement, rehabilitation and restoration assets:			
– Asset reinstatement costs	9(a),12	5	3
– Quarry assets	9(a),12	3	3
Intangible assets	10	67	38
Total gross depreciation and amortisation costs		8,588	7,823
Total depreciation and amortisation costs		8,588	7,823
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		8,588	7,823

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(a) for IPPE assets and Note 10 for intangible 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)

\$ '000	2019	2018
(e) Other expenses		
Advertising	83	68
Bad and doubtful debts	(2)	–
Bank charges	46	46
Contributions/levies to other levels of government:		
– NSW Fire Brigade levy	33	45
– NSW Rural Fire service levy	365	356
– State Emergency Services levy	14	43
– Riverina Regional Library	251	245
– Other contributions/levies	41	–
Councillor Expenses		
– Mayoral fee	22	10
– Councillors' fees	109	98
– Other expenses	28	33
Donations, contributions and assistance to other organisations (Section 356)	327	235
Election expenses	36	–
Electricity and heating	421	428
Insurance	485	401
Postage	36	43
Printing and stationery	140	141
Street lighting	185	148
Subscriptions and publications	85	86
Telephone and communications	222	143
Valuation fees	67	61
Water charges	223	202
Other	16	3
Total other expenses	3,233	2,835
TOTAL OTHER EXPENSES	3,233	2,835

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
Plant and equipment	9(a)		
Proceeds from disposal – plant and equipment		325	170
Less: carrying amount of plant and equipment assets sold/written off		(556)	(883)
Net gain/(loss) on disposal		<u>(231)</u>	<u>(713)</u>
Infrastructure	9(a)		
Proceeds from disposal – infrastructure		966	275
Less: carrying amount of infrastructure assets sold/written off		(911)	(1,066)
Net gain/(loss) on disposal		<u>55</u>	<u>(791)</u>
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		135	275
Less: carrying amount of real estate assets sold/written off		(92)	(133)
Net gain/(loss) on disposal		<u>43</u>	<u>142</u>
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		12,710	10,600
Less: carrying amount of investments sold/redeemed/matured		(12,710)	(10,600)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(133)</u>	<u>(1,362)</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

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	4,492	5,028
Cash-equivalent assets		
– Term deposits	3,300	4,733
Total cash and cash equivalents	<u>7,792</u>	<u>9,761</u>

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 (when applicable) are shown within borrowings in current liabilities on the Statement of Financial Position.

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
'Financial assets at amortised cost' / 'held to maturity' (2018)	16,195	–	12,710	–
Total Investments	<u>16,195</u>	<u>–</u>	<u>12,710</u>	<u>–</u>
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>23,987</u>	<u>–</u>	<u>22,471</u>	<u>–</u>
Financial assets at amortised cost / held to maturity (2018)				
Term deposits	16,195	–	12,710	–
Total	<u>16,195</u>	<u>–</u>	<u>12,710</u>	<u>–</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy under AASB 9 – applicable from 1 July 2018

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

On initial recognition, all financial instruments are measured at fair value plus transaction costs.

Financial assets

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

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

Held to maturity investments

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

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	23,987	–	22,471	–
Attributable to:				
External restrictions	8,883	–	6,394	–
Internal restrictions	11,272	–	11,507	–
Unrestricted	3,832	–	4,570	–
	<u>23,987</u>	<u>–</u>	<u>22,471</u>	<u>–</u>

\$ '000	2019	2018
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Details of restrictions

External restrictions

Developer contributions – general	323	156
Developer contributions – water fund	817	673
Developer contributions – sewer fund	697	449
Specific purpose unexpended grants	971	539
Water supplies	2,331	1,369
Sewerage services	3,435	2,921
Town improvement funds	75	114
Trust	230	169
Other	4	4
Total external restrictions	<u>8,883</u>	<u>6,394</u>

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Internal restrictions		
Plant and vehicle replacement	1,395	2,717
Employees' leave entitlement	823	771
Carry over works (uncompleted works)	3,070	2,147
Aged care units – Culcairn	–	13
Aged care units – Jindera	58	90
Bypass handover works contribution	557	979
Community facilities – former Hume	16	16
Culcairn community housing	220	208
Culcairn Oasis community newsletter	1	1
Henty housing	47	52
Family Day Care	565	539
Gum Swamp maintenance reserve	22	22
Henty Headerlines newsletter	11	9
Holbrook caravan park sale reserve	393	25
Holbrook festival	–	8
Holbrook Frampton Court	271	246
Holbrook housing	79	67
Holbrook Kala Court	157	146
Holbrook Village Hostel	272	272
Jindera Hostel	28	49
Land development reserve	262	349
Morven community fund	19	19
Quarry restoration	14	27
Risk management incentive bonus	135	142
Riverina Noxious Weeds program	66	79
St. John's Wort weeds	30	30
Submarine project	46	40
Waste management reserve	1,778	1,316
Works warranty	528	734
Weeds of the Riverina booklet	12	12
Walla Walla sportsground reserve	190	190
Woomargama streetscape	44	44
IT infrastructure reserve	–	45
Other	163	103
Total internal restrictions	11,272	11,507
TOTAL RESTRICTIONS	20,155	17,901

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	637	–	644	–
Interest and extra charges	76	–	58	–
User charges and fees	1,468	–	4,546	–
Private works	725	–	528	–
Accrued revenues				
– Interest on investments	213	–	120	–
Amounts due from other councils	54	–	175	–
Deferred debtors	59	12	80	13
Government grants and subsidies	1,684	–	32	–
Net GST receivable	197	–	278	–
Other debtors	11	–	10	–
Total	5,124	12	6,471	13
Less: provision of impairment				
User charges and fees	(76)	–	(78)	–
Total provision for impairment – receivables	(76)	–	(78)	–
<u>TOTAL NET RECEIVABLES</u>	<u>5,048</u>	<u>12</u>	<u>6,393</u>	<u>13</u>
Externally restricted receivables				
Water supply				
– Rates and availability charges	11	–	17	–
– Other	640	–	615	–
Sewerage services				
– Rates and availability charges	126	–	110	–
– Other	193	–	199	–
Domestic waste management	49	–	52	–
Total external restrictions	1,019	–	993	–
Unrestricted receivables	4,029	12	5,400	13
<u>TOTAL NET RECEIVABLES</u>	<u>5,048</u>	<u>12</u>	<u>6,393</u>	<u>13</u>

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	78	93
+ new provisions recognised during the year	19	3
– amounts provided for but recovered during the year	(20)	(5)
– amounts already provided for and written off this year	(1)	(13)
Balance at the end of the period	76	78
Represented by:		
Expected credit loss (calculated in accordance with AASB 9) Note 17	6	–
Additional specific provisions	70	78
Balance at the end of the period	76	78

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 presumption 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 five years past due, whichever occurs first.

None of the receivables that have been written off are subject to enforcement activity.

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	2,452	–	2,179	–
Stores and materials	150	–	110	–
Total inventories at cost	<u>2,602</u>	<u>–</u>	<u>2,289</u>	<u>–</u>
<u>TOTAL INVENTORIES</u>	<u>2,602</u>	<u>–</u>	<u>2,289</u>	<u>–</u>
(b) Other assets				
Prepayments	28	–	84	–
<u>TOTAL OTHER ASSETS</u>	<u>28</u>	<u>–</u>	<u>84</u>	<u>–</u>
<hr/>				
\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total unrestricted assets	2,630	–	2,373	–
TOTAL INVENTORIES AND OTHER ASSETS	<u>2,630</u>	<u>–</u>	<u>2,373</u>	<u>–</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		791	–	449	–
Industrial/commercial		1,661	–	1,730	–
Total real estate for resale		2,452	–	2,179	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		1,238	–	1,220	–
Development costs		1,214	–	959	–
Total costs		2,452	–	2,179	–
Total real estate for resale		2,452	–	2,179	–
Movements:					
Real estate assets at beginning of the year		2,179	–	2,155	–
– Purchases and other costs		469	–	157	–
– Transfers in from (out to) Note 9(a)		(104)	–	–	–
– WDV of sales (expense)	5	(92)	–	(133)	–
Total real estate for resale		2,452	–	2,179	–

(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;

\$ '000	2019	2018
Real estate for resale	2,354	2,123
	2,354	2,123

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.

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	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 8)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	1,043	–	1,043	102	2,325	–	–	(798)	–	–	–	2,672	–	2,672
Plant and equipment	10,179	(4,466)	5,713	–	2,107	(556)	(757)	5	–	–	–	10,662	(4,150)	6,512
Office equipment	450	(319)	131	–	101	(1)	(37)	–	–	–	–	500	(306)	194
Furniture and fittings	148	(95)	53	9	23	–	(14)	–	–	–	–	176	(105)	71
Land:														
– Operational land	7,983	–	7,983	–	–	(60)	–	–	–	(38)	–	7,885	–	7,885
– Community land	4,210	–	4,210	–	–	–	–	–	–	–	–	4,210	–	4,210
– Land under roads (post 30/6/08)	640	–	640	–	33	–	–	–	–	–	–	673	–	673
Infrastructure:														
– Buildings – non-specialised	20,998	(7,328)	13,670	88	42	–	(356)	–	177	–	–	21,579	(7,958)	13,621
– Buildings – specialised	38,923	(21,166)	17,757	72	165	(159)	(612)	126	(215)	–	–	38,425	(21,291)	17,134
– Other structures	17,567	(5,809)	11,758	231	338	(116)	(905)	221	38	–	–	18,304	(6,739)	11,565
– Roads	323,214	(107,053)	216,161	6,913	351	–	(4,371)	352	–	113	–	330,586	(111,067)	219,519
– Bulk earthworks (non-depreciable)	137,918	–	137,918	1,095	92	–	–	89	–	29	–	139,223	–	139,223
– Stormwater drainage	10,417	(3,039)	7,378	43	331	–	(94)	–	–	–	–	10,792	(3,134)	7,658
– Water supply network	31,288	(10,235)	21,053	–	117	–	(420)	3	–	–	337	31,909	(10,819)	21,090
– Sewerage network	46,483	(13,992)	32,491	297	21	–	(581)	2	–	–	520	47,546	(14,796)	32,750
– Swimming pools	9,919	(2,679)	7,240	57	22	–	(366)	–	–	–	–	9,998	(3,045)	6,953
Reinstatement, rehabilitation and restoration assets (refer Note 12):														
– Tip assets	437	(137)	300	–	–	–	(5)	–	–	–	–	437	(142)	295
– Quarry assets	78	(49)	29	–	–	–	(3)	–	–	–	–	78	(52)	26
Total Infrastructure, property, plant and equipment	661,895	(176,367)	485,528	8,907	6,068	(892)	(8,521)	–	–	104	857	675,655	(183,604)	492,051

(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	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	5,583	–	5,583	316	474	–	–	(5,330)	–	–	–	1,043	–	1,043
Plant and equipment	13,258	(7,082)	6,176	–	1,348	(881)	(930)	–	–	–	–	10,179	(4,466)	5,713
Office equipment	776	(646)	130	–	39	(1)	(37)	–	–	–	–	450	(319)	131
Furniture and fittings	393	(232)	161	–	–	–	(38)	–	–	(70)	–	148	(95)	53
Land:														
– Operational land	7,077	–	7,077	–	61	–	–	–	–	–	845	7,983	–	7,983
– Community land	3,859	–	3,859	–	–	–	–	–	–	–	351	4,210	–	4,210
– Land under roads (post 30/6/08)	536	–	536	–	104	–	–	–	–	–	–	640	–	640
Infrastructure:														
– Buildings – non-specialised	27,382	(11,247)	16,135	95	1,096	(218)	(329)	1,924	(994)	(4,039)	–	20,998	(7,328)	13,670
– Buildings – specialised	46,642	(24,218)	22,424	292	116	(92)	(780)	–	(2,573)	(1,630)	–	38,923	(21,166)	17,757
– Other structures	3,610	(784)	2,826	547	55	(19)	(598)	105	3,517	–	5,325	17,567	(5,809)	11,758
– Roads	312,304	(103,954)	208,350	5,859	6,195	(738)	(3,820)	315	–	–	–	323,214	(107,053)	216,161
– Bulk earthworks (non-depreciable)	135,503	–	135,503	–	2,195	–	–	220	–	–	–	137,918	–	137,918
– Stormwater drainage	9,471	(2,953)	6,518	–	808	–	(86)	138	–	–	–	10,417	(3,039)	7,378
– Water supply network	30,255	(9,627)	20,628	109	247	–	(406)	42	–	–	433	31,288	(10,235)	21,053
– Sewerage network	45,280	(13,149)	32,131	199	31	–	(566)	21	–	–	675	46,483	(13,992)	32,491
– Swimming pools	5,134	(2,449)	2,685	1,100	71	–	(189)	2,565	–	–	1,008	9,919	(2,679)	7,240
Reinstatement, rehabilitation and restoration assets (refer Note 12):														
– Tip assets	374	(121)	253	–	–	–	(3)	–	50	–	–	437	(137)	300
– Quarry assets	78	(46)	32	–	–	–	(3)	–	–	–	–	78	(49)	29
Total Infrastructure, property, plant and equipment	647,515	(176,508)	471,007	8,517	12,840	(1,949)	(7,785)	–	–	(5,739)	8,637	661,895	(176,367)	485,528

(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	5 to 10	Playground equipment	10
Office furniture	5 to 10	Benches, seats etc.	10
Computer equipment	5		
Vehicles	5	Buildings	
Heavy plant/road making equipment	5 to 12	Buildings: masonry	50 to 150
Other plant and equipment	6 to 10	Buildings: other	50 to 100
Water and sewer assets		Stormwater assets	
Dams and reservoirs	50 to 100	Drains	110
Bores	33	Culverts	100 to 120
Reticulation pipes: PVC	60 to 80		
Reticulation pipes: other	60 to 80		
Pumps and telemetry	25		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 35	Bulk earthworks	Infinite
Sealed roads: pavement base	80 to 105	Swimming pools	40 -60
Sealed roads: pavement sub-base	160 to 210		
Unsealed roads	25 to 40		
Bridge: concrete	100 to 120		
Bridge/Culverts: other	100 to 120		
Kerb, gutter and footpaths	40		

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

Greater Hume Shire Council recognises the land and buildings used by the Rural Fire Service situated within the Shire boundary, however, it does not account for Rural Fire Service plant or other equipment.

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

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	25	–	25	3	–	3
Land						
– Operational land	154	–	154	154	–	154
Infrastructure	31,909	10,819	21,090	31,287	10,235	21,052
Total water supply	32,088	10,819	21,269	31,444	10,235	21,209
Sewerage services						
WIP	14	–	14	2	–	2
Plant and equipment	24	24	–	24	24	–
Land						
– Operational land	493	–	493	493	–	493
Infrastructure	47,546	14,796	32,750	46,481	13,992	32,489
Total sewerage services	48,077	14,820	33,257	47,000	14,016	32,984
<u>TOTAL RESTRICTED I,PP&E</u>	80,165	25,639	54,526	78,444	24,251	54,193

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	447	447
Accumulated amortisation	(206)	(167)
Net book value – opening balance	241	280
Movements for the year		
– Additions	84	–
– Amortisation charges	(67)	(38)
Closing values at 30 June		
Gross book value	531	447
Accumulated amortisation	(273)	(206)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	258	241
The net book value of intangible assets represents:		
– Civica Authority software and website development	258	241
	258	241

Accounting policy for intangible assets

IT development and software

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

Costs capitalised include external direct costs of materials and service. Amortisation is calculated on a straight line basis over periods generally ranging from three to ten years.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	1,664	–	1,726	–
Goods and services – capital expenditure	684	–	1,232	–
Accrued expenses:				
– Borrowings	36	–	40	–
– Salaries and wages	237	–	262	–
– Other expenditure accruals	65	–	64	–
Security bonds, deposits and retentions	412	1,222	451	983
Total payables	3,098	1,222	3,775	983
Income received in advance				
Payments received in advance	374	–	339	–
Total income received in advance	374	–	339	–
Borrowings				
Loans – secured ¹	539	3,769	589	4,305
Total borrowings	539	3,769	589	4,305
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>4,011</u>	<u>4,991</u>	<u>4,703</u>	<u>5,288</u>

(1) Loans are secured over the revenue of Council.

Disclosures on liability interest rate risk exposures and security can be found in Note 17.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	718	–	210	–
Sewer	23	–	24	–
Other – trust fund	230	–	169	–
Total payables and borrowings relating to restricted assets	971	–	403	–
Total payables and borrowings relating to unrestricted assets	3,040	4,991	4,300	5,288
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>4,011</u>	<u>4,991</u>	<u>4,703</u>	<u>5,288</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	412	451
Total payables and borrowings	412	451

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018 Opening Balance	Repayments of principal and interest	as at 30/6/2019 Closing balance
Loans – secured	4,894	(586)	4,308
TOTAL	4,894	(586)	4,308

\$ '000	as at 30/6/2017 Opening Balance	Repayments of principal and interest	as at 30/6/2018 Closing balance
Loans – secured	5,483	(589)	4,894
TOTAL	5,483	(589)	4,894

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

\$ '000	2019	2018
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	40	40
Lease facilities	340	340
Total financing arrangements	580	580
Drawn facilities as at balance date:		
– Credit cards/purchase cards	9	7
Total drawn financing arrangements	9	7
Undrawn facilities as at balance date:		
– Bank overdraft facilities	200	200
– Credit cards/purchase cards	31	33
– Lease facilities	340	340
Total undrawn financing arrangements	571	573

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

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that 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 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	826	–	806	–
Long service leave	2,265	98	2,105	68
Other leave	104	–	104	–
Sub-total – aggregate employee benefits	3,195	98	3,015	68
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	522	–	492
Sub-total – asset remediation/restoration	–	522	–	492
TOTAL PROVISIONS	3,195	620	3,015	560
Total provisions relating to unrestricted assets	3,195	620	3,015	560

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

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

Provisions – employee benefits	2,121	1,955
	2,121	1,955

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

(b) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2019				
At beginning of year	806	2,173	104	3,083
Additional provisions	585	489	4	1,078
Amounts used (payments)	(583)	(303)	(4)	(890)
Other	18	4	–	22
Total ELE provisions at end of period	826	2,363	104	3,293
2018				
At beginning of year	832	2,137	98	3,067
Additional provisions	572	264	8	844
Amounts used (payments)	(598)	(228)	(2)	(828)
Total ELE provisions at end of period	806	2,173	104	3,083

\$ '000	Other provisions		Total
	Asset remediation		
2019			
At beginning of year		492	492
Changes to provision:			
– Revised costs		69	69
– Revised life		(9)	(9)
Unwinding of discount		31	31
Unused amounts reversed		(43)	(43)
Other		(18)	(18)
Total other provisions at end of period		522	522
2018			
At beginning of year		470	470
– Revised costs		84	84
– Revised life		(3)	(3)
Remeasurement effects		(4)	(4)
Unwinding of discount		22	22
Unused amounts reversed		(83)	(83)
Other		6	6
Total other provisions at end of period		492	492

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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

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

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.

Asset remediation

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Council made no correction of errors during the current reporting period.

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

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

The Council has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 July 2018. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

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

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

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

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

Classification of financial assets

All financial assets of Council have been classified as measured at amortised cost.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Council has reviewed its receivables and does not expect losses greater than the current provision for impairment. The majority of receivables other than rates and private works are current and due from Government.

Rates and charges are secured against the property. As such, there was no transitional adjustment requirement as at 1 July, 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Council made no retrospective changes in accounting policies due to adoption of new accounting standards.

(e) Voluntary changes in accounting policies

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

(f) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	7,792	9,761
Balance as per the Statement of Cash Flows		7,792	9,761
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		6,859	10,715
Adjust for non-cash items:			
Depreciation and amortisation		8,588	7,823
Net losses/(gains) on disposal of assets		133	1,362
Non-cash capital grants and contributions		(1,214)	(5,801)
Unwinding of discount rates on reinstatement provisions		31	22
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,326	(1,555)
Increase/(decrease) in provision for impairment of receivables		(2)	(15)
Decrease/(increase) in inventories		(40)	13
Decrease/(increase) in other current assets		56	(84)
Increase/(decrease) in payables		(62)	38
Increase/(decrease) in accrued interest payable		(4)	(5)
Increase/(decrease) in other accrued expenses payable		(24)	31
Increase/(decrease) in other liabilities		235	(37)
Increase/(decrease) in provision for employee benefits		210	16
Increase/(decrease) in other provisions		(1)	-
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		16,091	12,523
(c) Non-cash investing and financing activities			
Gifted Assets - roads and other infrastructure for new subdivisions and RMS gifted roads.		1,214	5,801
Total non-cash investing and financing activities		1,214	5,801

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	346	–
Land development	77	–
Morgan's Lookout stairs	–	161
Plant and equipment	–	410
Roads & drainage infrastructure	181	–
Sporting facilities	120	–
Waste management	–	33
Water	–	51
Total commitments	724	655
These expenditures are payable as follows:		
Within the next year	724	655
Total payable	724	655
Sources for funding of capital commitments:		
Unrestricted general funds	333	–
Future grants and contributions	260	99
Unexpended grants	–	62
Internally restricted reserves	131	494
Total sources of funding	724	655

Details of capital commitments

The above commitments relate mainly to the completion of projects funded through the Stronger Country Communities Fund, major drainage works being carried out in Urana St, Jindera and the completion of a carpark at the Walla Walla Children Services building.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments (continued)

\$ '000	2019	2018
(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	96	67
Later than one year and not later than 5 years	197	244
Total non-cancellable operating lease commitments	293	311

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

Photocopiers leased for 5 years commencing June 2017

Plotter leased for 4 years commencing April 2019

Intel computer servers leased for 5 years commencing April 2019.

Building lease at 11 Keirath St, Henty leased for 2 years for the provision of child care services commencing January 2019.

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**1. Guarantees****(i) Defined benefit superannuation contribution plans**

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

The future service 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 future service employer contribution rates are:

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

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

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

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

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

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

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up. There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

We confirm the plan is a defined benefit plan.

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

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

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

The 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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed around November/December 2019.

An employer's past service contribution per annum as a percentage of the total past service contributions for all Pooled Employers (of \$40M for each year from 1 July 2018 to 30 June 2021) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group.

The requirement for contributions in order to maintain the adequacy of the funding position for the accrued liabilities (currently \$40M per annum) is assessed annually by the Actuary. The past service contributions of \$40M per annum are estimated to remain in place until 30 June 2021. However the Trustee determined in March 2019 that going forward should the funding on both Vested Benefit and Accrued Benefit funding levels exceed 100%, the Fund will look to suspend the request for past service contributions. This is subject to the outcome of each annual funding update and any changes will be communicated in the New Year.

The amount of employer contributions to the defined benefit section of the Fund by Council and recognised as an expense for the year ending 30 June 2019 was \$172,672. The expected contributions to the Fund by Council for the next annual reporting period are \$164,363. Based on a Past Service Liabilities methodology, the share of the surplus that can be attributed to Council is 0.26%.

It is estimated that there are \$207,400 past service contributions remaining.

The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ending 30 June 2018.

(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.

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

2. Other liabilities**(i) Third party claims**

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

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

ASSETS NOT RECOGNISED**(i) Land under roads**

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

(ii) Riverina Regional Library

		2019	2019
Riverina Regional Library	Provision of Library Services to member Councils	\$76,120	\$4,552,891
Council's Share		\$5,678	\$339,646

Council holds a 7.46% share in Riverina Library. This has been assessed as not material and therefore has not been included as part of the primary financial statements

(iii) Rural Fire Service assets

The Code of Accounting Practice and Financial Reporting (Update 27) General Purpose Financial Statements (the Code) issued by the Office of Local Government at page A60 states "Councils need to assess whether they control any Rural Fire Service assets and recognise in their financial statements any material assets under their control." In addition, AASB116 requires that an asset can only be recognised if it is probable that future economic benefits associated with the items will flow to the entity.

In response to the Code, and taking into consideration where effective control of the assets lie and the entity that receives any future economic benefit from the assets, Council has adopted a position statement on the recognition of Rural Fire Service assets which states "Greater Hume Shire Council accounts for land and buildings used by the Rural Fire Service situated within the Shire boundary, however, does not account for Rural Fire Service plant or other equipment."

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.

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

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 investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

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 from the banking institutions it deals with.

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.
- **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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	239	239	(239)	(239)
2018				
Possible impact of a 1% movement in interest rates	224	224	(224)	(224)

(b) Credit risk

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	540	–	–	97	637
2018						
Gross carrying amount	–	538	–	–	106	644

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	2,606	984	40	39	830	4,499
Expected loss rate (%)	0.00%	0.00%	0.00%	0.69%	0.69%	0.13%
ECL provision	–	–	–	–	6	6
2018						
Gross carrying amount	4,845	–	20	22	953	5,840
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(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.

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	1,634	2,686	–	–	4,320	4,320
Loans and advances	6.51%	–	740	2,707	2,229	5,676	4,308
Total financial liabilities		1,634	3,426	2,707	2,229	9,996	8,628
2018							
Trade/other payables	0.00%	1,434	3,324	–	–	4,758	4,758
Loans and advances	5.63%	–	820	2,691	2,609	6,120	4,894
Total financial liabilities		1,434	4,144	2,691	2,609	10,878	9,652

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

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

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	11,122	11,277	155	1% F
User charges and fees	7,133	7,364	231	3% F
Interest and investment revenue	628	634	6	1% F
Other revenues	387	553	166	43% F
Unbudgeted recoveries of workers compensation claims, additional income from recycling and higher than budget property rental income.				
Operating grants and contributions	8,430	8,875	445	5% F
Capital grants and contributions	2,006	7,176	5,170	258% F
Significant unbudgeted grants and contributions were received during 2018/19. This has allowed Council to carry out additional works during the year. The variance is made up of Safer Roads funding, initial funding for the North Henty Rail Crossing project, drought relief heavy vehicle access funding, contributions toward the Tunnel Road upgrade, Section 7.12 and Section 64 contributions received during 2018/19. Council has also been gifted assets to the value of \$1,214K during the year from developers.				
EXPENSES				
Employee benefits and on-costs	8,945	9,631	(686)	(8)% U
Borrowing costs	235	260	(25)	(11)% U
Unwinding of discount rates for remediation of tips and quarries, not included in original cash budget.				
Materials and contracts	6,960	7,175	(215)	(3)% U
Depreciation and amortisation	7,886	8,588	(702)	(9)% U
Other expenses	3,121	3,233	(112)	(4)% U
Net losses from disposal of assets	–	133	(133)	∞ U

Net losses from disposal of plant & equipment, industrial land held for resale and the Holbrook caravan park. No budget is taken up for these items.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
STATEMENT OF CASH FLOWS				
Net cash provided from (used in) operating activities	10,428	16,091	5,663	54% F
Additional revenue mainly from Safer Roads funding, initial funding for the North Henty Rail Crossing project, drought relief heavy vehicle access funding, contributions toward the Tunnel Road upgrade, Section 7.12 and Section 64 contributions received during 2018/19.				
Net cash provided from (used in) investing activities	(9,012)	(17,474)	(8,462)	94% U
Additional expenditure on capital works during 2018/19.				
Net cash provided from (used in) financing activities	(595)	(586)	9	(2)% F

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).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

2019	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)					
Bulk earthworks		30/06/15	–	–	139,223	139,223
Roads infrastructure		30/06/15	–	–	219,519	219,519
Land under roads		01/07/16	–	–	673	673
Stormwater drainage		30/06/15	–	–	7,658	7,658
Sewerage network		30/06/17	–	–	32,750	32,750
Water supply network		30/06/17	–	–	21,090	21,090
Operational land		01/07/16	–	–	7,885	7,885
Community land		01/07/16	–	–	4,210	4,210
Buildings specialised		30/06/18	–	–	17,134	17,134
Buildings non-specialised		30/06/18	–	–	13,621	13,621
Swimming pools		30/06/18	–	–	6,953	6,953
Other structures		30/06/18	–	–	11,565	11,565
Plant, office equipment, furniture and fittings		30/06/18	–	–	6,777	6,777
Tips and quarries		30/06/18	–	–	321	321
Total infrastructure, property, plant and equipment			–	–	489,379	489,379

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)					
Bulk earthworks		30/06/15	–	–	137,918	137,918
Roads infrastructure		30/06/15	–	–	216,161	216,161
Land under roads		01/07/16	–	–	640	640
Stormwater drainage		30/06/15	–	–	7,378	7,378
Sewerage network		30/06/17	–	–	32,491	32,491
Water supply network		30/06/17	–	–	21,053	21,053
Operational land		01/07/16	–	–	7,983	7,983
Community land		01/07/16	–	–	4,210	4,210
Buildings specialised		30/06/18	–	–	17,757	17,757
Buildings non-specialised		30/06/18	–	–	13,670	13,670
Swimming pools		30/06/18	–	–	7,240	7,240
Other structures		30/06/18	–	–	11,758	11,758
Plant, office equipment, furniture and fittings		30/06/18	–	–	5,897	5,897
Tips and quarries		30/06/18	–	–	329	329
Total infrastructure, property, plant and equipment			–	–	484,485	484,485

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

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

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

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

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

Roads Infrastructure

This asset class comprises the road surface and pavement, bridges, drainage, kerb & gutter and footpaths. The cost approach was adopted to value these assets based on assessments and calculations from a condition assessment undertaken by Radar Portal Surveys in November 2014, and subsequent revaluation by Jeff Roorda & Associates and council staff in June 2015. Assets have been componentised and a full review of asset condition, useful life and unit rates for each component was undertaken. An annual review of the carrying values of these assets is undertaken on an annual basis to determine whether there has been a material movement during the year, which would result in a revaluation of this class of assets. The full revaluation of road assets is undertaken on a 5 year cycle and the next valuation will take place in 2019/20. Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value. This class of assets has been disclosed as Input Level 3. There has been no change to the valuation process during the reporting period.

Stormwater Drainage Infrastructure

This asset class comprises pits, pipes, open channels and headwalls. The cost approach was adopted to value these assets based on assessments and calculations from a revaluation undertaken by and Jeff Roorda & Associates and council staff in June 2015. Assets have been componentised and an evaluation of useful life and unit rates for each component was undertaken resulting in revaluation of these assets. The full revaluation of stormwater drainage assets is undertaken on a 5 year cycle and the next valuation will take place in 2019/20.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value. This class of assets has been disclosed as Input Level 3. There has been no change to the valuation process during the reporting period.

Land under Roads

This asset class comprises land under roadways and road reserves acquired after 1 July 2008. Council uses the englobio method to value land under roads. This class of asset has been disclosed as Input Level 3.

Sewerage Network

This asset class comprises treatment works, pumping stations, sewerage mains, and reuse water plant. The cost approach was adopted to estimate the value of these assets by componentising the assets into significant parts with different useful lives and taking into account a range of values. This assessment was undertaken by Mike Brearley and Associates in 2017. Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value. The full revaluation of the Sewerage Network is undertaken on a 5 year cycle and the next valuation will take place in 2021/22. The sewerage network is indexed annually in accordance with reference rates provided in the NSW Department of Industry - Water guidelines. This class of assets has been disclosed as Input Level 3. 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)

Water Supply Network

This asset class comprises treatment works, pumping stations, water pipelines, bores and reservoirs.

The cost approach was adopted to estimate the value of these assets by componentising the assets into significant parts with different useful lives and taking into account a range of values. This assessment was undertaken by Mike Brearley and Associates in 2017.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value

The full revaluation of the Water Supply Network is undertaken on a 5 year cycle and the next valuation will take place in 2021/22.

The water supply network is indexed annually in accordance with reference rates provided in the NSW Department of Industry - Water guidelines.

This class of assets has been disclosed as Input Level 3.

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

Community Land

This asset class comprises all of Council owned land classified as Community Land and Care Control Management Land (Crown Land) of which Council derives current and future economic benefits from the use of the land asset.

The key unobservable input to the valuation is the price per square metre.

Council has used the Valuer General's Unimproved Capital Value (UCV) as the basis for establishing the fair value of the land as at 1 July 2016.

The full revaluation of the Community Land is undertaken on a 3 year cycle and the next valuation will take place in 2019/20.

This class of assets has been disclosed as Input Level 3.

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

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the *NSW Local Government Act 1993*.

The key unobservable input to the valuation is the price per square metre.

Council has used the Valuer General's Unimproved Capital Value (UCV) as the basis for establishing the fair value of the land as at 1 July 2016.

The full revaluation of the Operational Land is undertaken on a 3 year cycle and the next valuation will take place in 2019/20.

This class of assets has been disclosed as Input Level 3.

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

Buildings - Specialised and Non Specialised

Council engaged Australis Asset Advisory Group to value all its buildings in June 2018. The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost allowing for professional fees, demolition, removal of debris and escalation in costs.

While all buildings were physically inspected, inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value.

The full revaluation of the Buildings is undertaken on a 5 year cycle and the next valuation will take place in 2022/23.

This class of assets has been disclosed as Input Level 3.

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)

Swimming Pools

This class of assets comprises swimming pool structures, amenities and filtration equipment.

Council engaged Australis Asset Advisory Group to value these assets in June 2018. The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost allowing for professional fees, demolition, removal of debris and escalation in costs.

Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value.

The full revaluation of the Swimming Pools is undertaken on a 5 year cycle and the next valuation will take place in 2022/23.

This class of assets has been disclosed as Input Level 3.

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

Other Structures

This class comprises fencing, hologram and town clock and miscellaneous other structures.

Council engaged Australis Asset Advisory Group to value these assets in June 2018. The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost.

The full revaluation of the Other Structure is undertaken on a 5 year cycle and the next valuation will take place in 2022/23.

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

This class of assets has been disclosed as Input Level 3.

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings include but are not limited to the following:

- Plant & Equipment - Motor Vehicles, Utes, Trucks, Tractors, Earthmoving Equipment and Ride-on Mowers
- Office Equipment - Computer Equipment, Data Projectors, Servers & Printers
- Furniture & Fittings - Chairs, Desks, Shelving and Air Conditioning Units

Council staff completed a desktop audit to value these assets in June 2018. The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost.

The carrying amount of these assets is deemed to be the fair value due to the type of asset.

The key unobservable inputs to the valuation are the remaining useful life and residual value.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value.

This class of assets has been disclosed as Input Level 3.

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

Tips and Quarries

This class comprises tips, transfer stations and quarries. The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost. This class of assets has been disclosed as Input Level 3.

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.

\$ '000	Bulk earthworks	Roads infrastructure	Land under Roads	Stormwater drainage	Sewerage network
2018					
Opening balance	135,503	208,350	536	6,518	32,131
Purchases (GBV)	2,415	12,369	104	946	251
Disposals (WDV)	–	(738)	–	–	–
Depreciation and impairment	–	(3,820)	–	(86)	(566)
FV gains – other comprehensive income	–	–	–	–	675
Closing balance	137,918	216,161	640	7,378	32,491
2019					
Opening balance	137,918	216,161	640	7,378	32,491
Purchases (GBV)	1,305	7,729	33	374	320
Depreciation and impairment	–	(4,371)	–	(94)	(581)
FV gains – other comprehensive income	–	–	–	–	520
Closing balance	139,223	219,519	673	7,658	32,750

\$ '000	Water supply network	Operational Land	Community Land	Building specialised	Buildings non specialised
2018					
Opening balance	20,628	7,077	3,859	22,424	16,135
Purchases (GBV)	398	61	–	408	3,115
Disposals (WDV)	–	–	–	(92)	(218)
Depreciation and impairment	(406)	–	–	(780)	(329)
FV gains – other comprehensive income	433	845	351	(1,630)	(4,039)
Transfers	–	–	–	(2,573)	(994)
Closing balance	21,053	7,983	4,210	17,757	13,670
2019					
Opening balance	21,053	7,983	4,210	17,757	13,670
Purchases (GBV)	120	–	–	363	130
Disposals (WDV)	–	(98)	–	(159)	–
Depreciation and impairment	(420)	–	–	(612)	(356)
FV gains – other comprehensive income	337	–	–	–	–
Transfers	–	–	–	(215)	177
Closing balance	21,090	7,885	4,210	17,134	13,621

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Swimming pools	Other structures	Plant, office equipment and furniture	Tips and quarries	Total
2018					
Opening balance	2,685	2,826	6,467	285	465,424
Purchases (GBV)	3,736	707	1,387	–	25,897
Disposals (WDV)	–	(19)	(882)	(6)	(1,955)
Depreciation and impairment	(189)	(598)	(1,005)	–	(7,779)
FV gains – other comprehensive income	1,008	5,325	(70)	–	2,898
Transfers	–	3,517	–	50	–
Closing balance	7,240	11,758	5,897	329	484,485
2019					
Opening balance	7,240	11,758	5,897	329	484,485
Purchases (GBV)	79	790	2,245	–	13,488
Disposals (WDV)	–	(116)	(557)	–	(930)
Depreciation and impairment	(366)	(905)	(808)	(8)	(8,521)
FV gains – other comprehensive income	–	–	–	–	857
Transfers	–	38	–	–	–
Closing balance	6,953	11,565	6,777	321	489,379

b. The valuation process for level 3 fair value measurements

Council has not assigned any of its non financial asset classes to Level 2 inputs.

Level 3 valuation process for asset classes where the basis was Cost Approach.
The inputs used for this technique were:

- Pattern of Consumption
- Residual Value
- Asset Condition
- Unit Rates
- Useful Life

When necessary Council engages external consultants with expertise in the valuation of Infrastructure, Property, Plant & Equipment assets, to work in conjunction with its own staff to establish the fair values of its assets based on the above inputs.

Classes of assets are assessed formally on a five year rolling cycle in accordance with the requirements of the code. At the end of each reporting period Council assesses whether there is any indication that the carrying amount of any class of asset may differ materially from that which would be determined if the class of assets were revalued at that date.

(5) Highest and best use

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

This was established taking into consideration the following criteria;

- Physical possibility
- Legal permissibility
- Financial feasibility
- Maximum profitability, and
- Contribution to the community and its environment.

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:

\$ '000	2019	2018
Compensation:		
Short-term benefits	851	814
Post-employment benefits	65	64
Other long-term benefits	42	44
Total	958	922

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2019						
Earthworks and Childcare Services	2	217	–	Normal payment terms	–	–
2018						
Earthworks and Childcare Services	2	173	–	Normal payment terms	–	–

1 Council contracted Easties Dirt Works to perform earth works during the year, a company which the Principal is a close family member of a KMP of Council. Amounts were billed based on Council's schedule of Plant & Equipment Quotation Rates and were due and payable under normal payment terms.

2 Council pays a partner of a KMP of Council for services relating to Childcare. Payment is made at contract rates determined under family assistance laws and were due and payable under normal payment terms.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions

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

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

Summary of contributions and levies

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	26	5	–	1	–	–	32	–
Open space	1	–	–	–	–	–	1	–
Community facilities	36	8	–	1	–	–	45	–
Other	4	3	–	–	–	–	7	–
S7.11 contributions – under a plan	67	16	–	2	–	–	85	–
S7.12 levies – under a plan	22	197	–	2	(41)	–	180	–
Total S7.11 and S7.12 revenue under plans	89	213	–	4	(41)	–	265	–
S7.11 not under plans	67	29	–	1	(38)	–	59	–
S64 contributions	1,122	391	–	–	–	–	1,513	–
Total contributions	1,278	633	–	5	(79)	–	1,837	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN NUMBER 1 – FORMER HUME SHIRE PROPORTION OF GREATER HUME SHIRE								
Roads	26	5	–	1	–	–	32	–
Open space	1	–	–	–	–	–	1	–
Community facilities	36	8	–	1	–	–	45	–
Other	4	3	–	–	–	–	7	–
Total	67	16	–	2	–	–	85	–

S7.12 Levies – under a plan

GREATER HUME SHIRE COUNCIL S94A LEVY DEVELOPMENT CONTRIBUTIONS PLAN 2014

Other	22	197	–	2	(41)	–	180	–
Total	22	197	–	2	(41)	–	180	–

S7.11 Contributions – not under a plan

CONTRIBUTIONS NOT UNDER A PLAN

Other	67	29	–	1	(38)	–	59	–
Total	67	29	–	1	(38)	–	59	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	9,297	661	1,319
User charges and fees	5,856	1,247	261
Interest and investment revenue	465	73	96
Other revenues	484	53	16
Grants and contributions provided for operating purposes	8,742	91	42
Grants and contributions provided for capital purposes	6,458	210	508
Total income from continuing operations	31,302	2,335	2,242
Expenses from continuing operations			
Employee benefits and on-costs	8,458	461	712
Borrowing costs	260	–	–
Materials and contracts	6,682	182	311
Depreciation and amortisation	7,587	420	581
Other expenses	2,186	932	115
Net losses from the disposal of assets	133	–	–
Total expenses from continuing operations	25,306	1,995	1,719
Operating result from continuing operations	5,996	340	523
Net operating result for the year	5,996	340	523
Net operating result attributable to each council fund	5,996	340	523
Net operating result for the year before grants and contributions provided for capital purposes	(462)	130	15

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	512	3,148	4,132
Investments	16,195	–	–
Receivables	4,078	651	319
Inventories	2,602	–	–
Other	28	–	–
Total current assets	23,415	3,799	4,451
Non-current assets			
Receivables	12	–	–
Infrastructure, property, plant and equipment	437,525	21,269	33,257
Intangible assets	258	–	–
Total non-current assets	437,795	21,269	33,257
TOTAL ASSETS	461,210	25,068	37,708
LIABILITIES			
Current liabilities			
Payables	2,357	718	23
Income received in advance	374	–	–
Borrowings	539	–	–
Provisions	3,195	–	–
Total current liabilities	6,465	718	23
Non-current liabilities			
Payables	1,222	–	–
Borrowings	3,769	–	–
Provisions	620	–	–
Total non-current liabilities	5,611	–	–
TOTAL LIABILITIES	12,076	718	23
Net assets	449,134	24,350	37,685
EQUITY			
Accumulated surplus	239,746	11,584	15,274
Revaluation reserves	209,388	12,766	22,411
Council equity interest	449,134	24,350	37,685
Total equity	449,134	24,350	37,685

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(184)				
Total continuing operating revenue excluding capital grants and contributions ¹	28,703	(0.64)%	8.13%	12.99%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	19,556				
Total continuing operating revenue ¹	35,879	54.51%	47.71%	48.54%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions	19,409				
Current liabilities less specific purpose liabilities	3,702	5.24x	4.43x	5.47x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	8,664				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	846	10.24x	12.41x	13.15x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	713				
Rates, annual and extra charges collectible	11,819	6.03%	6.09%	6.65%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	23,987				
Monthly payments from cash flow of operating and financing activities	1,960	12.24 mths	11.32 mths	13.00 mths	>3.00 mths

(1) Excludes fair value adjustments, reversal of revaluation decrements, and net gain on sale of assets.

(2) Excludes impairment/revaluation decrements and net loss on sale of assets.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(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}	(1.32)%	8.93%	6.12%	2.33%	0.87%	1.52%	>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	50.57%	43.38%	87.11%	83.43%	75.47%	92.11%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	5.24x	4.43x	4.15x	9.53x	163.22x	134.58x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	8.89x	11.19x	∞	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	5.85%	6.00%	1.66%	2.65%	9.55%	8.46%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	9.40	9.59	35.40	17.08	43.53	38.51	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

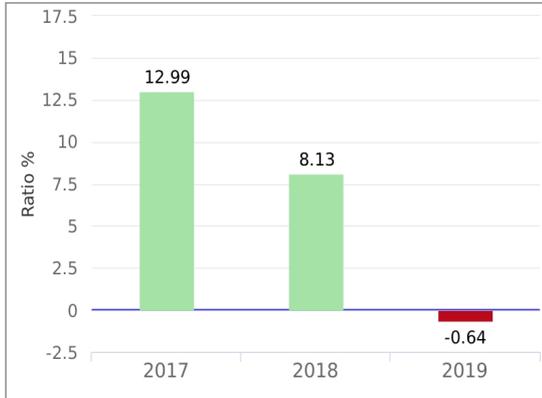
(1) - (2) Refer to Notes at Note 24(a) above.

(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 24(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 (0.64)%

Council's operating performance ratio resulted in a small negative result this year. This is mainly due to a decrease in operating grants. In particular 2018/19 was the final year of the current Roads to Recovery funding period and the final amount received during the year was lower than in previous years.

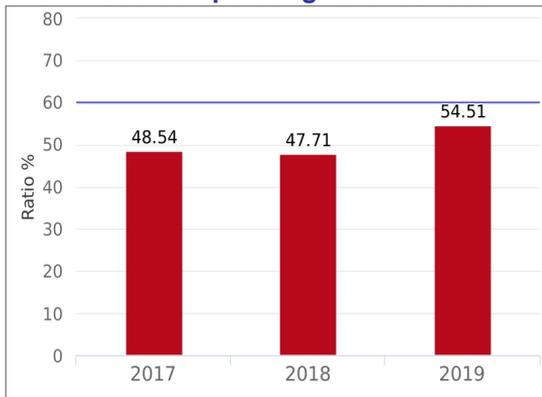
Benchmark: — > 0.00%

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 54.51%

Greater Hume has a relatively high proportion of income from grants and contributions. A benchmark of 60% own source income is desirable, however, rural councils rely heavily on grants and contributions due to its large area and relatively small population. The result is consistent with previous years.

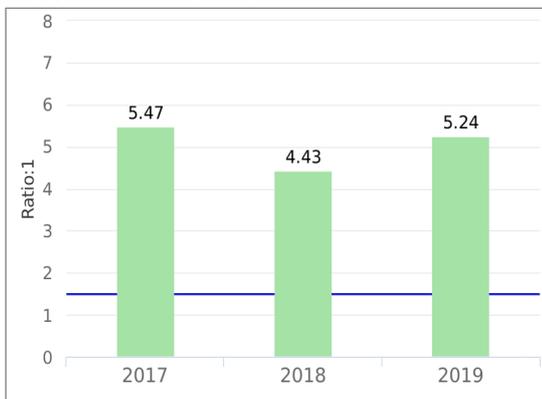
Benchmark: — > 60.00%

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 5.24x

The unrestricted current ratio measures Council's ability to meet its short term financial liabilities. A measure above 2:1 indicates a strong financial capacity to meet liabilities. This ratio is indicative of Council's strong cash position.

Benchmark: — > 1.50x

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

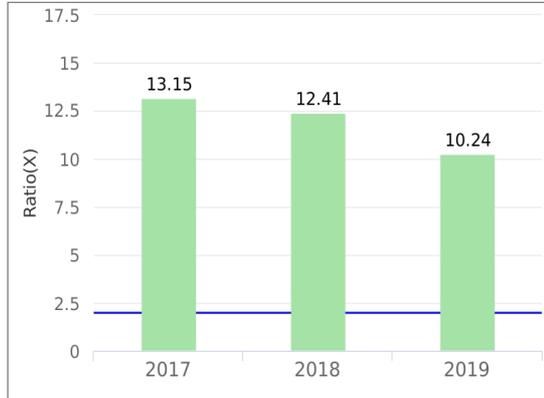
Ratio achieves benchmark

Ratio is outside benchmark

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

Note 24(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 10.24x

Council has a relatively low level of borrowings. This ratio indicates that Council is able to comfortably service its current debt level out of its EBITDA.

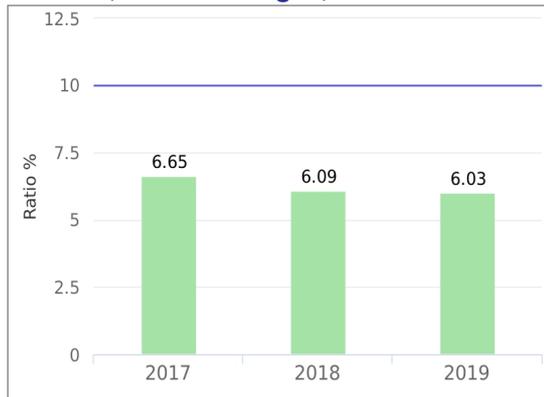
Benchmark: — > 2.00x

Ratio achieves benchmark

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

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 6.03%

Council's level of outstanding rates and charges showed continued improvement as a result of proactive collection procedures.

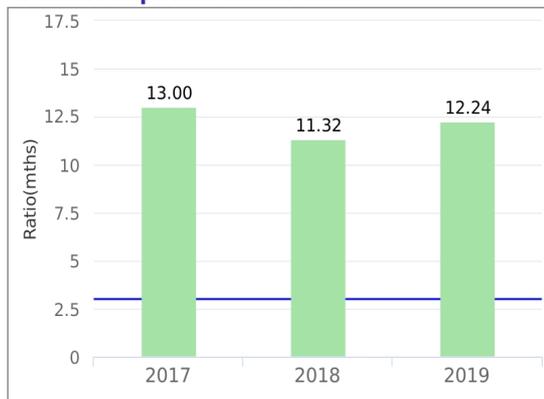
Benchmark: — < 10.00%

Ratio achieves benchmark

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

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 12.24 mths

Council's cash position is sound and the ratio indicates Council is able to pay all its commitments as and when they fall due.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Financial review

\$ '000	2019	2018	2017	2016	2015
Key financial figures of Council over the past 5 years					
Inflows:					
Rates and annual charges revenue	11,277	10,886	9,959	9,471	8,841
User charges revenue	7,364	7,423	7,594	7,729	6,315
Interest and investment revenue (losses)	634	562	651	654	833
Grants income – operating and capital	10,376	11,076	12,464	11,182	7,524
Total income from continuing operations	35,879	40,351	38,396	34,735	28,718
Sale proceeds from I,PP&E	1,426	720	299	341	165
Outflows:					
Employee benefits and on-cost expenses	9,631	9,197	8,951	9,066	8,689
Borrowing costs	260	264	244	284	280
Materials and contracts expenses	7,175	8,155	8,554	7,538	7,913
Total expenses from continuing operations	29,020	29,636	30,713	28,145	27,398
Total cash purchases of I,PP&E	14,884	15,926	14,239	15,755	10,065
Total loan repayments (incl. finance leases)	586	589	675	697	565
Operating surplus/(deficit) (excl. capital income)	(317)	1,140	1,806	1,494	(1,198)
Financial position figures					
Current assets	31,665	31,237	32,555	27,383	29,508
Current liabilities	7,206	7,718	7,929	6,079	6,922
Net current assets	24,459	23,519	24,626	21,304	22,586
Available working capital (Unrestricted net current assets)	5,577	6,429	6,167	3,974	5,826
Cash and investments – unrestricted	3,832	4,570	4,019	425	3,401
Cash and investments – internal restrictions	11,272	11,507	16,055	13,518	13,476
Cash and investments – total	23,987	22,471	25,504	19,998	22,407
Total borrowings outstanding (Loans, advances and finance leases)	4,308	4,894	5,483	4,758	5,455
Total value of I,PP&E (excl. land and earthworks)	523,664	511,144	500,540	499,265	487,038
Total accumulated depreciation	183,604	176,367	176,508	178,199	171,381
Indicative remaining useful life (as a % of GBV)	65%	65%	65%	64%	65%

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

Note 26. Council information and contact details

Principal place of business:

39 Young Street
Holbrook NSW 2644

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26. Council information and contact details (continued)

Contact details

Mailing Address:

PO Box 99
Holbrook NSW 2644

Telephone: 02 6036 0100

Opening hours:

8:30am - 5:00pm
Monday to Friday

Internet: <http://www.greaterhume.nsw.gov.au>

Email: mail@greaterhume.nsw.gov.au

Officers

General Manager

Steven Pinnuck

Responsible Accounting Officer

Dean Hart

Public Officer

David Smith

Auditors

Audit Office of NSW
Level 15, 1 Margaret St
Sydney NSW 2000

Elected members

Mayor

Councillor Heather Wilton

Councillors

Doug Meyer OAM
Matt Hicks
Jenny O'Neill
Denise Osborne
Lea Parker
Tony Quinn
Annette Schilg
Terry Weston

Other information

ABN: 44 970 341 154



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Greater Hume Shire Council

To the Councillors of the Greater Hume Shire Council

Opinion

I have audited the accompanying financial statements of Greater Hume 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.



Min Lee
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

4 October 2019
SYDNEY



Cr Heather Wilton
Mayor
Greater Hume Shire Council
PO Box 99
HOLBROOK NSW 2644

Contact: Min Lee
Phone no: (02) 9275 7151
Our ref: D1921770/1732

4 October 2019

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Greater Hume 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

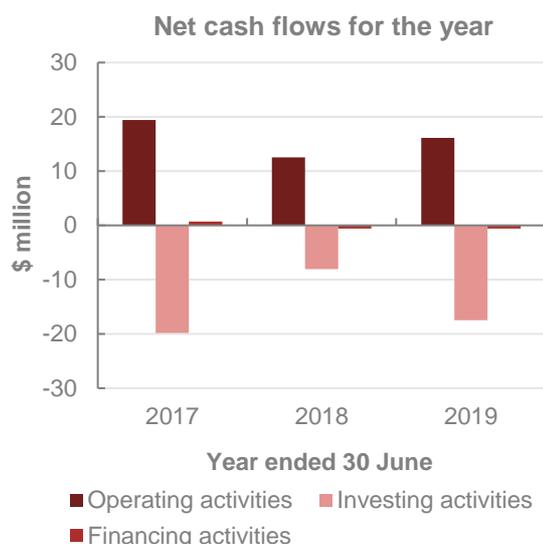
	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	11.3	10.9	3.7
Grants and contributions revenue	16.1	20.9	(22.9)
Operating result for the year	6.9	10.7	(35.5)
Net operating result before capital grants and contributions	(0.3)	1.1	(127.3)

The following comments are made in respect of Council's operating result for the year:

- Rates and annual charges revenue was \$11.3 million (\$10.9 million for the year ended 30 June 2018). The increase of \$0.4 million (3.7%) is consistent with an increase in ordinary rates in line with the 2.3% rate peg and rise in the total number of rateable properties.
- Grants and contributions revenue was \$16.1 million (\$20.9 million for the year ended 30 June 2018). The decrease of \$4.8 million (22.9%) was primarily due to a \$5.1 million decrease in non-cash contributions for roads and bridges gifted assets and a \$1.6 million decrease in roads to recovery operating grants.
- Council's net operating result was a surplus of \$6.9 million (\$10.7 million surplus for the year ended 30 June 2018). The decrease of \$3.8 million is mainly due \$4.8 million decrease to grants and contributions revenue.
- The net operating result before capital grants and contributions was a deficit of \$0.3 million (\$1.1 million surplus for the year ended 30 June 2018). The decrease of \$1.4 million is mainly due to the decrease of \$1.6 million in roads to recovery operating grants.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$7.8 million (\$9.8 million for the year ended 30 June 2018). There was a net reduction in cash and cash equivalents of \$2.0 million at 30 June 2019.
- Net cash provided by operating activities has increased by \$3.6 million. This is mainly due to the increase in cash receipts from user charges and fees of \$4.3 million.
- Net cash used in investing activities has increased by \$9.4 million. This is mainly due to a net purchase of investment securities in 2019 of \$3.5 million compared to a net sale of investment securities in 2018 of \$7.3 million.
- There was no significant movement in the net cash used in financing activities, which represents repayment of Council's external borrowings.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	8.9	6.4	<ul style="list-style-type: none"> • Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$2.5 million is mainly due to general increases in the restrictions for water and sewer fund.
Internal restrictions	11.3	11.5	
Unrestricted	3.8	4.6	
Cash and investments	24.0	22.5	<ul style="list-style-type: none"> • Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The internally restricted funds as at 30 June 2019 are consistent with the prior year. • Unrestricted cash and investments was \$3.8 million, which is available to provide liquidity for day-to-day operations of the Council.

Debt

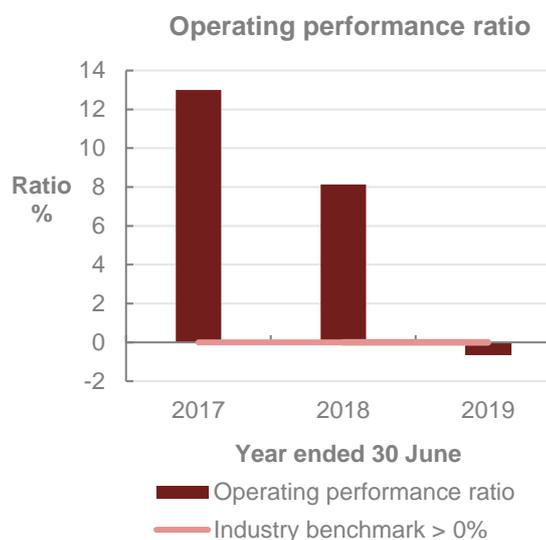
Council has \$4.3 million of external borrowings (2018: \$4.8 million) which is secured over the revenue of Council.

Council has a \$0.2 million bank overdraft facility (2018: \$0.2 million) which was undrawn as at 30 June 2019.

PERFORMANCE

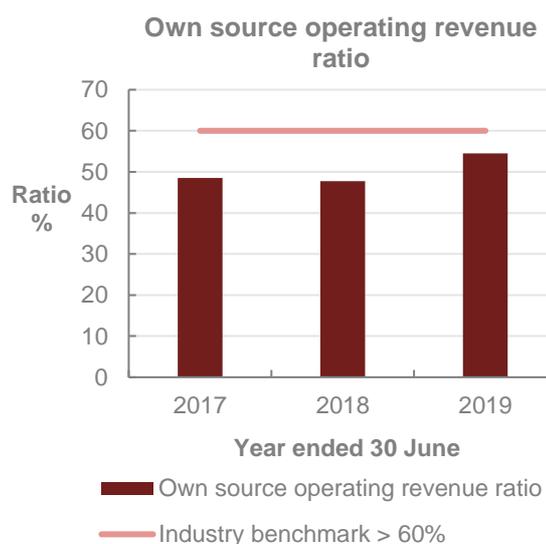
Operating performance ratio

- 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.
- The operating performance ratio of (0.64) per cent is below the industry benchmark of greater than zero per cent. This indicates the Council has not contained operating expenditures within operating revenue.
- The operating performance ratio decreased to (0.64) per cent (2018: 8.1 per cent) due to the decrease in grants and contributions income provided for operating purposes.



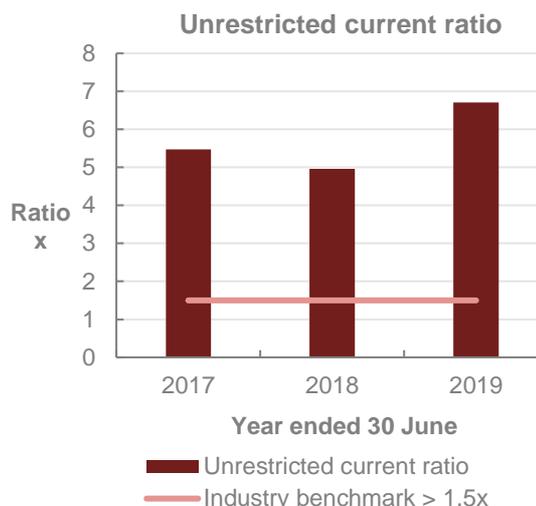
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 54.5 per cent is below the industry benchmark of 60 per cent. This indicates that the Council is more reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio increased in 2019, due to the relative increase in rates and annual charges income.



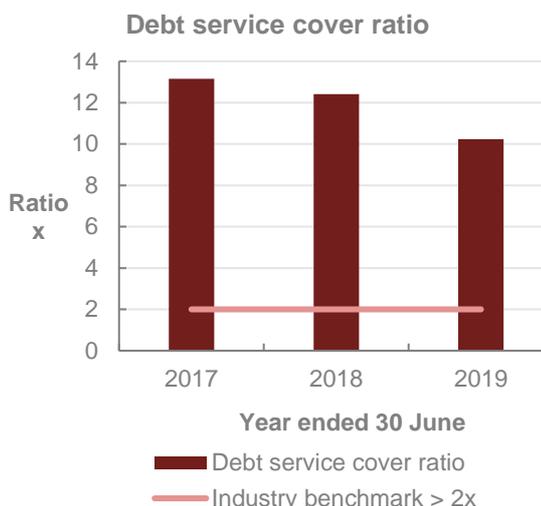
Unrestricted current ratio

- 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.
- The Council's liquidity ratio of 6.7 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has improved due to a reduction in current liabilities.



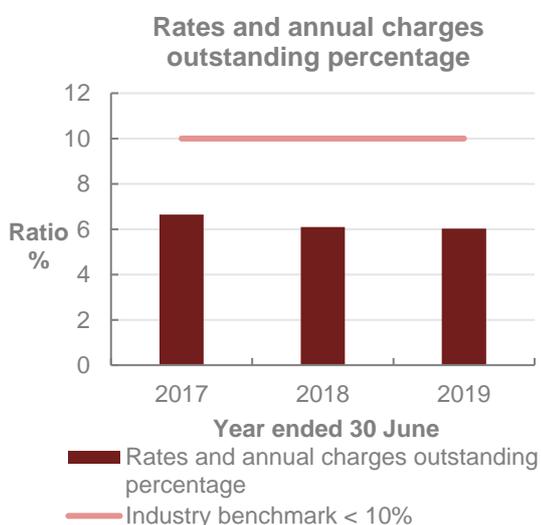
Debt service cover ratio

- 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.
- The Council's debt service cover ratio of 10.2 times is greater than the industry benchmark minimum of greater than 2 times. This indicates that the Council has sufficient operating revenue to service its debt.



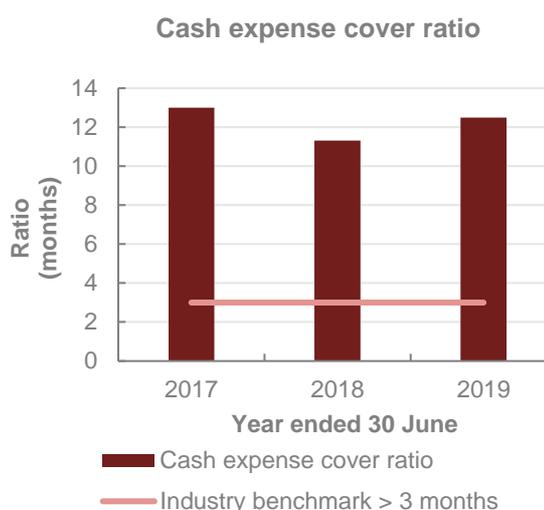
Rates and annual charges outstanding percentage

- 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 percent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 6.0 percent is within the industry benchmark of less than 10 percent for regional and rural councils.
- The rates and annual charges outstanding percentage has remained consistent for the last three years, which is a reflection of sound debt recovery procedures at the Council.



Cash expense cover ratio

- 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.
- The Council's cash expense cover ratio was 12.2 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 12.2 months of operating cash expenditure without additional cash inflows at 30 June 2019.
- The Council's cash expense cover ratio has remained steady.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$8.9 million of assets in the 2018–19 financial year, compared to \$8.5 million of assets in the 2017–18 financial year. The renewal of infrastructure, property, plant and equipment has remained consistent with the prior 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. Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 13.</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.



Min Lee
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Cr Heather Wilton, Mayor
Steven Pinnuck, General Manager
David Maxwell, Chair of the Audit, Risk and Improvement Committee
David Smith, Director Corporate & Community Services
Jim Betts, Secretary of the Department of Planning, Industry and Environment



Greater
Hume
Council



Greater
Hume
Council

Special Purpose Financial Statements

For the year ended 30 June 2019

Special Purpose Financial Statements

for the year ended 30 June 2019

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Statement of Financial Position – Sewerage Business Activity	7
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Background

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

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

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

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

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

Greater Hume 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:

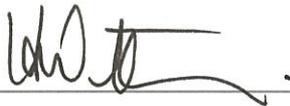
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- 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 25 September 2019.



Councillor Heather Wilton
Mayor
25 September 2019



Councillor Doug Meyer OAM
Councillor
25 September 2019



Steven Pinnuck
General Manager
25 September 2019



Dean Hart
Responsible Accounting Officer
25 September 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	661	642
User charges	1,247	1,109
Interest	73	52
Grants and contributions provided for non-capital purposes	91	17
Other income	53	65
Total income from continuing operations	2,125	1,885
Expenses from continuing operations		
Employee benefits and on-costs	461	449
Materials and contracts	182	155
Depreciation, amortisation and impairment	420	406
Water purchase charges	852	754
Other expenses	80	77
Total expenses from continuing operations	1,995	1,841
Surplus (deficit) from continuing operations before capital amounts	130	44
Grants and contributions provided for capital purposes	210	354
Surplus (deficit) from continuing operations after capital amounts	340	398
Surplus (deficit) from all operations before tax	340	398
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(36)	(12)
SURPLUS (DEFICIT) AFTER TAX	304	386
Plus accumulated surplus	11,244	10,846
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	36	12
Closing accumulated surplus	11,584	11,244
Return on capital %	0.6%	0.2%
Subsidy from Council	151	514
Calculation of dividend payable:		
Surplus (deficit) after tax	304	386
Less: capital grants and contributions (excluding developer contributions)	(210)	(205)
Surplus for dividend calculation purposes	94	181
Potential dividend calculated from surplus	47	90

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	1,319	1,300
User charges	174	118
Liquid trade waste charges	87	88
Interest	96	81
Grants and contributions provided for non-capital purposes	42	31
Other income	16	23
Total income from continuing operations	1,734	1,641
Expenses from continuing operations		
Employee benefits and on-costs	712	687
Materials and contracts	311	261
Depreciation, amortisation and impairment	581	566
Other expenses	115	102
Total expenses from continuing operations	1,719	1,616
Surplus (deficit) from continuing operations before capital amounts	15	25
Grants and contributions provided for capital purposes	508	107
Surplus (deficit) from continuing operations after capital amounts	523	132
Surplus (deficit) from all operations before tax	523	132
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(4)	(7)
SURPLUS (DEFICIT) AFTER TAX	519	125
Plus accumulated surplus	14,748	14,616
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	4	7
Closing accumulated surplus	15,271	14,748
Return on capital %	0.0%	0.1%
Subsidy from Council	424	842
Calculation of dividend payable:		
Surplus (deficit) after tax	519	125
Less: capital grants and contributions (excluding developer contributions)	(508)	149
Surplus for dividend calculation purposes	11	274
Potential dividend calculated from surplus	5	137

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	3,148	2,042
Receivables	651	632
Total current assets	3,799	2,674
Non-current assets		
Infrastructure, property, plant and equipment	21,269	21,209
Total non-current assets	21,269	21,209
TOTAL ASSETS	25,068	23,883
LIABILITIES		
Current liabilities		
Payables	718	210
Total current liabilities	718	210
TOTAL LIABILITIES	718	210
NET ASSETS	24,350	23,673
EQUITY		
Accumulated surplus	11,584	11,244
Revaluation reserves	12,766	12,429
TOTAL EQUITY	24,350	23,673

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	4,132	3,370
Receivables	319	309
Total current assets	4,451	3,679
Non-current assets		
Infrastructure, property, plant and equipment	33,257	32,984
Total non-current assets	33,257	32,984
TOTAL ASSETS	37,708	36,663
LIABILITIES		
Current liabilities		
Payables	23	24
Total current liabilities	23	24
TOTAL LIABILITIES	23	24
<u>NET ASSETS</u>	<u>37,685</u>	<u>36,639</u>
EQUITY		
Accumulated surplus	15,274	14,748
Revaluation reserves	22,411	21,891
<u>TOTAL EQUITY</u>	<u>37,685</u>	<u>36,639</u>

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)

Greater Hume Shire Council Combined Water Supplies

Comprising the whole of the operations and assets of the water supply systems servicing the towns of Jindera, Burrumbuttock, Brocklesby, Gerogery and Culcairn.

Category 2

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

Greater Hume Shire Council Combined Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the towns of Burrumbuttock, Culcairn, Henty, Holbrook, Jindera and Walla Walla.

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 \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

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

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

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

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

Income tax

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

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

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

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

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

The rate applied of 27.5% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

Note 1. Significant Accounting Policies (continued)

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 June 2019.

(iv) Dividends

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

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

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

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

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



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

To the Councillors of the Greater Hume Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Greater Hume Shire Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activities for the year ended 30 June 2019, the Statement of Financial Position of each Declared Business Activities 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 report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule - 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.

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 is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'SML'.

Min Lee
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

4 October 2019
SYDNEY



Greater
Hume
Council



Greater
Hume
Council

Special Schedules

For the year ended 30 June 2019

Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	8,465	8,263
Plus or minus adjustments ²	b	45	11
Notional general income	c = a + b	8,510	8,274
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	i = e x (c + g)	230	190
Sub-total	k = (c + g + h + i + j)	8,740	8,464
Plus (or minus) last year's carry forward total	l	2	8
Sub-total	n = (l + m)	2	8
Total permissible income	o = k + n	8,742	8,472
Less notional general income yield	p	8,740	8,465
Catch-up or (excess) result	q = o - p	2	7
Less unused catch-up ⁵	s	(2)	(5)
Carry forward to next year ⁶	t = q + r + s	-	2

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

Greater Hume Shire Council

To the Councillors of Greater Hume Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Greater Hume 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.

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 'M. Lee'.

Min Lee
A/Director, Financial Audit Services
Delegate of the Auditor-General for New South Wales

4 October 2019
SYDNEY

Report on Infrastructure Assets
as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Council Offices / Administration Centres	10	10	28	30	4,198	6,593	0.0%	0.0%	83.0%	17.0%	0.0%
	Works Depots	–	–	55	51	2,108	3,374	28.0%	6.0%	54.0%	12.0%	0.0%
	Public Halls	40	40	25	24	4,928	13,605	0.0%	14.0%	52.0%	34.0%	0.0%
	Houses	–	–	10	8	1,150	1,181	56.0%	6.0%	38.0%	0.0%	0.0%
	Libraries	–	–	10	8	1,613	2,866	0.0%	33.0%	67.0%	0.0%	0.0%
	Museums	–	–	5	3	470	929	0.0%	25.0%	50.0%	25.0%	0.0%
	Amenities/Public Toilets	35	35	21	17	1,858	3,612	12.0%	18.0%	48.0%	16.0%	6.0%
	Sporting Facilities	45	45	13	10	7,383	16,712	7.0%	11.0%	71.0%	10.0%	1.0%
	Aged Care Facilities	–	–	50	63	3,104	4,484	15.0%	32.0%	53.0%	0.0%	0.0%
	Other	–	–	29	31	3,943	6,648	15.0%	36.0%	40.0%	6.0%	3.0%
	Sub-total	130	130	246	245	30,755	60,004	8.1%	16.1%	59.7%	15.1%	1.0%
Other structures	Other structures	10	10	–	–	11,565	18,304	5.0%	13.0%	76.0%	6.0%	0.0%
	Sub-total	10	10	–	–	11,565	18,304	5.0%	13.0%	76.0%	6.0%	0.0%
Roads	Sealed Roads Surface	50	50	2,350	2,710	24,485	43,867	2.0%	55.0%	42.0%	1.0%	0.0%
	Sealed Roads Structure	–	–	–	–	148,601	192,212	1.0%	58.0%	40.0%	1.0%	0.0%
	Unsealed roads	–	–	1,087	1,200	12,487	25,999	1.0%	55.0%	43.0%	1.0%	0.0%
	Bridges	100	100	50	39	24,140	55,303	2.0%	25.0%	48.0%	24.0%	1.0%
	Footpaths	–	–	36	31	3,102	3,947	2.0%	25.0%	52.0%	21.0%	0.0%
	Kerb & Gutter	–	–	60	16	6,704	9,258	36.0%	62.0%	2.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	139,223	139,223	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	150	150	3,583	3,996	358,742	469,809	31.2%	36.3%	28.8%	3.6%	0.1%
Water supply network	Mains	–	–	86	120	18,182	27,287	22.0%	47.0%	19.0%	12.0%	0.0%
	Pumping Station/s	–	–	21	5	451	661	6.0%	89.0%	5.0%	0.0%	0.0%
	Treatment Works	–	–	10	6	202	293	0.0%	100.0%	0.0%	0.0%	0.0%
	Reservoirs	–	–	10	2	1,916	3,194	7.0%	40.0%	15.0%	38.0%	0.0%
	Bores	–	–	4	1	246	333	0.0%	100.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	93	141	22.0%	78.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	131	134	21,090	31,909	19.7%	48.3%	17.9%	14.1%	0.0%

Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Sewerage network	Mains	–	–	46	40	22,707	33,206	19.0%	33.0%	48.0%	0.0%	0.0%
	Pumping Station/s	20	20	39	45	3,503	4,802	11.0%	77.0%	10.0%	2.0%	0.0%
	Treatment Works	–	–	42	32	3,931	6,155	5.0%	82.0%	11.0%	2.0%	0.0%
	Reuse Scheme	10	10	9	10	2,609	3,383	0.0%	94.0%	3.0%	3.0%	0.0%
	Sub-total	30	30	136	127	32,750	47,546	15.0%	48.1%	36.2%	0.7%	0.0%
Stormwater drainage	Stormwater drainage	–	–	53	60	7,658	10,792	25.0%	64.0%	11.0%	0.0%	0.0%
	Sub-total	–	–	53	60	7,658	10,792	25.0%	64.0%	11.0%	0.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	133	140	6,953	9,998	38.0%	16.0%	43.0%	3.0%	0.0%
	Sub-total	–	–	133	140	6,953	9,998	38.0%	16.0%	43.0%	3.0%	0.0%
TOTAL - ALL ASSETS		320	320	4,282	4,702	469,513	648,362	26.6%	35.4%	32.9%	4.9%	0.2%

(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	8,805	114.28%	125.73%	156.32%	>=100.00%
Depreciation, amortisation and impairment	7,705				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	320	0.07%	0.07%	0.07%	<2.00%
Net carrying amount of infrastructure assets	469,513				
Asset maintenance ratio					
Actual asset maintenance	4,702	109.81%	99.58%	144.99%	>100.00%
Required asset maintenance	4,282				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	320	0.05%	0.05%	0.05%	
Gross replacement cost	648,362				

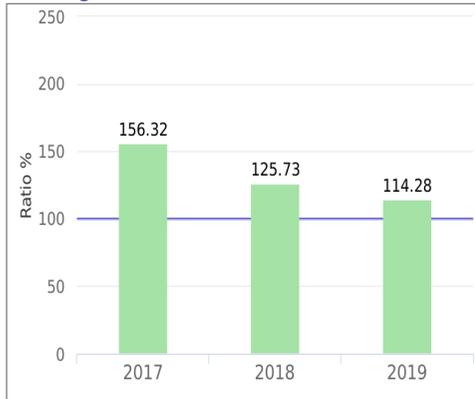
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)
as at 30 June 2019

Buildings and infrastructure renewals ratio ¹



Infrastructure renewals ratio

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

Commentary on result

18/19 ratio 114.28%

Major road infrastructure renewal projects carried out during this financial year have resulted in a renewal ratio which exceeds Councils benchmark aim of least 100% renewal in future periods.

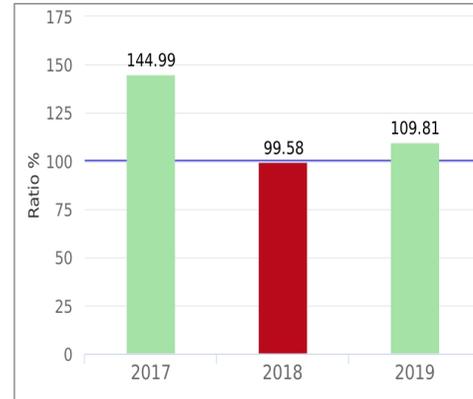
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

18/19 ratio 109.81%

Council's annual maintenance expenditure during 2018-19 has met the required annual expenditure needed to avoid an increase in infrastructure backlog. Council's forward budgets provide for a 1:1 ratio in future budget periods.

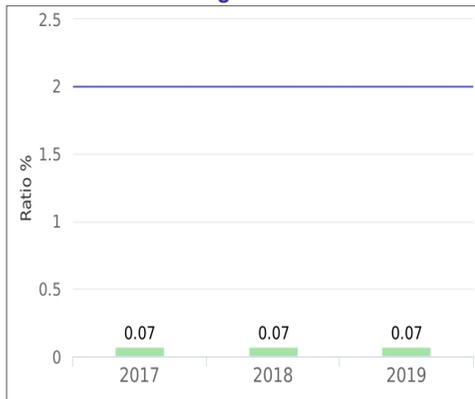
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio ¹



Infrastructure backlog ratio

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

Commentary on result

18/19 ratio 0.07%

These results indicate that Council has no serious backlog issues in its infrastructure network.

Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

18/19 ratio 0.05%

Continuing major works on the renewal of road infrastructure has been the major contributor to achieving this result in 2018-19.

(1) Excludes Work In Progress (WIP)

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	126.91%	141.40%	–	27.59%	51.12%	35.51%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.07%	0.07%	–	–	0.09%	0.09%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	110.61%	102.82%	102.29%	58.56%	93.38%	59.40%	>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	0.05%	0.05%	–	–	0.06%	0.06%	

(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.



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