

FEDERATION COUNCIL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019



Federation 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

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

100 Edward Street
COROWA NSW 2646

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.federationcouncil.nsw.gov.au.

Federation 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 annual financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and
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, and
- 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 22 October, 2019.



Patrick Bourke
Mayor
29 October, 2019



Shaun Whitechurch
Councillor
29 October, 2019



Adrian Butler
General Manager
29 October, 2019



Shane Norman
Responsible Accounting Officer
29 October, 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>				
13,841	Rates and annual charges	3a	14,062	13,628
8,106	User charges and fees	3b	9,703	8,383
1,025	Interest and investment revenue	3c	1,132	1,176
274	Other revenues	3d	779	588
10,277	Grants and contributions provided for operating purposes	3e,3f	16,838	11,412
11,668	Grants and contributions provided for capital purposes	3e,3f	5,917	4,320
<u>Other income:</u>				
50	Net gains from the disposal of assets	5	–	327
45,241	Total income from continuing operations		48,431	39,834
Expenses from continuing operations				
11,201	Employee benefits and on-costs	4a	13,029	10,990
434	Borrowing costs	4b	277	209
9,562	Materials and contracts	4c	10,625	8,633
8,916	Depreciation and amortisation	4d	10,354	10,520
3,140	Other expenses	4e	3,838	3,481
–	Net losses from the disposal of assets	5	3,658	–
–	Revaluation decrement / impairment of IPP&E	4d	6,392	3,453
33,253	Total expenses from continuing operations		48,173	37,286
11,988	Operating result from continuing operations		258	2,548
11,988	Net operating result for the year		258	2,548
11,988	Net operating result attributable to council		258	2,548
320	Net operating result for the year before grants and contributions provided for capital purposes		(5,659)	(1,772)

(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)		258	2,548
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	(3,013)	54,138
Total items which will not be reclassified subsequently to the operating result		(3,013)	54,138
Total other comprehensive income for the year		(3,013)	54,138
Total comprehensive income for the year		(2,755)	56,686
Total comprehensive income attributable to Council		(2,755)	56,686

(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)	23,120	3,651
Investments	6(b)	15,526	40,203
Receivables	7	7,419	7,874
Inventories	8a	1,835	1,357
Other	8b	171	93
Current assets classified as 'held for sale'	9	19	–
Total current assets		<u>48,090</u>	<u>53,178</u>
Non-current assets			
Receivables	7	60	60
Inventories	8	234	234
Infrastructure, property, plant and equipment	10(a)	513,285	512,211
Intangible assets	11	351	317
Total non-current assets		<u>513,930</u>	<u>512,822</u>
TOTAL ASSETS		<u>562,020</u>	<u>566,000</u>
LIABILITIES			
Current liabilities			
Payables	12	4,913	6,233
Income received in advance	12	650	596
Borrowings	12	108	102
Provisions	13	2,994	2,869
Total current liabilities		<u>8,665</u>	<u>9,800</u>
Non-current liabilities			
Borrowings	12	3,760	3,867
Provisions	13	822	805
Total non-current liabilities		<u>4,582</u>	<u>4,672</u>
TOTAL LIABILITIES		<u>13,247</u>	<u>14,472</u>
Net assets		<u>548,773</u>	<u>551,528</u>
EQUITY			
Accumulated surplus	14a	496,388	496,130
Revaluation reserves	14a	52,385	55,398
Council equity interest		<u>548,773</u>	<u>551,528</u>
Total equity		<u>548,773</u>	<u>551,528</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		496,130	55,398	551,528	493,582	1,260	494,842
Restated opening balance		496,130	55,398	551,528	493,582	1,260	494,842
Net operating result for the year		258	–	258	2,548	–	2,548
Restated net operating result for the period		258	–	258	2,548	–	2,548
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	(3,013)	(3,013)	–	54,138	54,138
Other comprehensive income		–	(3,013)	(3,013)	–	54,138	54,138
Total comprehensive income		258	(3,013)	(2,755)	2,548	54,138	56,686
Equity – balance at end of the reporting period		496,388	52,385	548,773	496,130	55,398	551,528

(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>				
13,841	Rates and annual charges		14,338	12,785
8,106	User charges and fees		9,599	8,706
1,025	Investment and interest revenue received		1,190	1,153
22,179	Grants and contributions		22,836	17,079
–	Bonds, deposits and retention amounts received		221	46
274	Other		967	458
<u>Payments</u>				
(11,201)	Employee benefits and on-costs		(12,743)	(10,963)
(9,561)	Materials and contracts		(12,706)	(5,659)
(434)	Borrowing costs		(277)	(209)
(3,140)	Other		(3,908)	(4,496)
21,089	Net cash provided (or used in) operating activities	15b	19,517	18,900
Cash flows from investing activities				
<u>Receipts</u>				
–	Sale of investment securities		27,190	22,595
50	Sale of real estate assets		146	430
1,760	Sale of infrastructure, property, plant and equipment		681	436
–	Deferred debtors receipts		10	10
<u>Payments</u>				
–	Purchase of investment securities		(2,513)	(21,246)
(42,176)	Purchase of infrastructure, property, plant and equipment		(25,363)	(19,393)
–	Purchase of intangible assets		(98)	–
(40,366)	Net cash provided (or used in) investing activities		53	(17,168)
Cash flows from financing activities				
<u>Receipts</u>				
8,700	Proceeds from borrowings and advances		–	–
<u>Payments</u>				
(335)	Repayment of borrowings and advances		(101)	(95)
8,365	Net cash flow provided (used in) financing activities		(101)	(95)
(10,912)	Net increase/(decrease) in cash and cash equivalents		19,469	1,637
39,044	Plus: cash and cash equivalents – beginning of year	15	3,651	2,014
28,132	Cash and cash equivalents – end of the year	15a	23,120	3,651
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	15,526	40,203
28,132	Total cash, cash equivalents and investments		38,646	43,854

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 22 October, 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 14.

In addition, the following new standards are effective for the first time in 30 June 2019. There is not expected to be a material impact on reported financial position, performance or cash flows unless otherwise stated:

- **AASB 9 Financial Instruments - Changes in accounting policies due to adoption of new accounting standards (not-retrospective)**

The Council has adopted AASB 9 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. These are further discussed and the impacts described in Note 14.

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

Classification 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).

Impairment of financial assets

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.

- **AASB 9 - Contingencies and other assets/liabilities not recognised**

Council owns 1 ordinary (Class A) share and 1 redeemable preference share (Class B to ZZ) of Southern Phones, a Company Limited by shares. The fair value of Southern Phones at 30 June 2019 is estimated to be approximately \$16.2 million with one ordinary share estimated at \$55.5K and one preference share estimated at \$34.6K. As there is no active market for these shares, and based on materiality, Council has elected not to recognise the fair value of these shares in their financial statements.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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 10
- (ii) estimated asset remediation provisions – refer Note 13
- (iii) employee benefit provisions – refer Note 13.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

(d) Monies and other assets received by Council

(i) 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
- Howlong Town Improvement
- Memorial Hall Committee
- Oval Management Committee
- Park Management Committee
- Section 355 Committees.

(ii) 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.

(e) 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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.

(f) New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

AASB 16 Leases

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

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

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

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

AASB 16 will not (on the whole) affect Council's financial position as it did not have any non-cancellable operating lease agreements in place as at 30 June, 2019.

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

AASB 15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

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

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

AASB 15 will have no impact on rates and charges paid in advance as Council has always accounted for these as a liability. There may be an immaterial impact in relation to grants as Council is currently auspicing several grants where the goods/services will not be retained by Council.

AASB 1058 Income of NFP Entities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

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

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

The majority of capital grants are paid in arrears based on actual expenditure and therefore Council will have met all obligations prior to receiving the grant payment. There were however a number of capital grants, totalling \$12,546K, which were unspent at 30 June 2019. Under the terms of the funding agreements, Council may have to recognise this revenue as a liability, with a corresponding adjustment to opening retained earnings, on transition at 1 July 2019. Council have not yet performed an assessment of each funding agreement and so are not in a position to quantify the impact of this standard.

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

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

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

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

Council have not yet performed an assessment of any right-of-use assets and so are not in a position to quantify the impact of this standard.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Built Federation	23,700	25,965	33,972	29,171	(10,272)	(3,206)	4,574	6,555	510,326	508,600
Economic Federation	2,593	521	6,188	742	(3,595)	(221)	2,568	218	3,353	3,429
Natural Federation	153	117	547	359	(394)	(242)	114	72	9	9
Social Federation	363	344	1,105	1,102	(742)	(758)	312	282	–	–
Well-Governed Federation	15,401	12,527	3,688	3,726	11,713	8,801	6,972	6,817	48,332	53,962
Amalgamation	6,221	360	2,673	2,186	3,548	(1,826)	5,590	–	–	–
Total functions and activities	48,431	39,834	48,173	37,286	258	2,548	20,130	13,944	562,020	566,000

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:

Built Federation

Council aim to maintain and improve infrastructure that meets the needs of residents and industry by providing the following services:

- Asset inspection - road, stormwater, sewer
- Road management - construction, maintenance & renewal
- Storm water - construction, maintenance & renewal
- Water & Sewerage Reticulation - construction, maintenance & renewal
- Development assessment
- Building control and planning
- Environmental health
- Building inspections
- Strategic land use planning
- Development Contributions Planning
- Swimming pool management
- Traffic & parking services
- Fleet Management and Maintenance
- Economic Development
- Waste Management

Economic Federation

Growing, progressive and prosperous communities that build on sustainable manufacturing, agriculture and tourism, close proximity to other centres, on both sides of the Murray River and affordability by providing the following services:

- Visitor Information Centre
- Marketing and promotion
- Events and events sponsorship
- Business support
- Product development and grant applications
- Training facilitation and promotion
- Saleyard management and maintenance
- Economic Services

Natural Federation

Sustainable rural landscapes and waterways offering tranquillity and attractive recreational spaces by providing the following services:

- Animal compliance
- Local laws
- Street cleaning
- Waste collection
- Weed management
- Pest control
- Roadside vegetation management
- Community facilities management
- Tree management
- Caravan park management
- Park reserve management
- Emergency management

Social Federation

Close-knit and welcoming communities where people come together and support each other by providing the following services:

- Library services
- Community/ civic events
- Art space
- Community facilities
- Cultural services

Notes to the Financial Statements

for the year ended 30 June 2019

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

Community support
Youth services
Disability services
Volunteer services
Ageing well services
Community Grants
Road Safety

Well-Governed Federation

Strong civic leadership and governance supporting equity across communities and effective communication with residents by providing the following services:

Financial management
IT support hardware software, systems
Records management
GIS
Lease management
Customer service
Policy development
Internal & external audits
Risk and compliance
Workforce management
Performance reporting
Council & committee support
GIPA (Access to Information)
Asset management

Amalgamation

Federation Council was proclaimed on 12 May 2016, following the amalgamation of the former Corowa Shire and Urana Shire Councils. With the union, the new Council received funding for the community and itself to help with the integration.

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	3,569	3,475
Farmland	3,457	3,385
Business	600	561
Less: pensioner rebates (mandatory)	(250)	(248)
Rates levied to ratepayers	7,376	7,173
Pensioner rate subsidies received	145	147
Total ordinary rates	7,521	7,320
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	1,851	1,702
Water supply services	727	694
Sewerage services	3,868	3,735
Waste levy	355	354
Less: pensioner rebates (mandatory)	(468)	(386)
Annual charges levied	6,333	6,099
Pensioner subsidies received:		
– Water	65	65
– Sewerage	68	68
– Domestic waste management	75	76
Total annual charges	6,541	6,308
TOTAL RATES AND ANNUAL CHARGES	14,062	13,628

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>		
Water supply services	3,927	3,339
Sewerage services	656	618
Waste management services (non-domestic)	205	184
Other	4	53
Non potable water	34	32
Total specific user charges	4,826	4,226
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	162	165
Inspection services	12	–
Planning and building regulation	175	253
Private works – section 67	208	100
Regulatory/ statutory fees	13	12
Registration fees	20	22
Section 10.7 certificates (EP&A Act)	40	42
Section 603 certificates	43	42
Tapping fees	48	49
Other	1	–
Sewer/drainage diagrams fee	33	18
Water meter readings fee	1	2
Total fees and charges – statutory/regulatory	756	705
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	120	47
Caravan park	890	108
Cemeteries	131	141
Child care	3	3
Community centres	40	46
Leaseback fees – Council vehicles	94	78
Quarry revenues	–	199
RMS charges (state roads not controlled by Council)	1,087	1,492
Saleyards	1,254	940
Swimming centres	7	25
Tourism	77	59
Waste disposal tipping fees	160	145
Rent and hire of non-investment property	233	159
Other	25	10
Total fees and charges – other	4,121	3,452
TOTAL USER CHARGES AND FEES	9,703	8,383

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		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	141	115
– Cash and investments	974	1,042
– Other	17	19
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>1,132</u>	<u>1,176</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	44	44
General Council cash and investments	600	647
Restricted investments/funds – external:		
Water fund operations	284	291
Sewerage fund operations	204	194
Total interest and investment revenue	<u>1,132</u>	<u>1,176</u>

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(d) Other revenues		
Rental income – other council properties	37	154
Legal fees recovery – rates and charges (extra charges)	49	3
Commissions and agency fees	192	150
Diesel rebate	108	90
Insurance claims recoveries	23	52
Sales – general	12	32
Workers compensation incentive rebate	103	53
Sales of Water	227	–
Other	28	54
<u>TOTAL OTHER REVENUE</u>	<u>779</u>	<u>588</u>

Accounting policy for other revenue

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

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

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

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

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

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	2,274	2,207	–	–
Financial assistance – local roads component	1,110	1,083	–	–
Payment in advance - future year allocation				
Financial assistance – general component	2,357	2,269	–	–
Financial assistance – local roads component	1,153	1,109	–	–
Total general purpose	6,894	6,668	–	–
Specific purpose				
Bushfire and emergency services	193	196	73	24
Economic development	10	21	2,558	197
Employment and training programs	5	2	–	–
Heritage and cultural	14	14	–	–
Library	62	72	–	–
Noxious weeds	114	72	–	–
Recreation and culture	–	–	255	13
Storm/flood damage	–	–	120	1,814
Street lighting	45	45	–	–
Transport (roads to recovery)	1,569	2,460	–	–
Transport (other roads and bridges funding)	–	–	911	1,429
Preschools	223	173	–	–
Merger	272	–	–	–
Community Projects	5,318	–	1,372	352
Property Management	74	–	–	–
Waste	22	–	–	–
Communities Services	2	–	–	–
Other	24	36	–	–
Total specific purpose	7,947	3,091	5,289	3,829
Total grants	14,841	9,759	5,289	3,829
Grant revenue is attributable to:				
– Commonwealth funding	7,384	9,128	911	1,429
– State funding	6,378	631	4,378	2,400
– Other funding	1,079	–	–	–
	14,841	9,759	5,289	3,829

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		–	–	45	115
S 64 – water supply contributions		–	–	11	54
S 64 – sewerage service contributions		–	–	36	113
Total developer contributions – cash		–	–	92	282
Total developer contributions	23	–	–	92	282
Other contributions:					
Cash contributions					
Bushfire services		15	–	–	–
Business development		11	–	–	–
Community services		–	15	–	–
Dedications – subdivisions (other than by s7.11)		–	–	318	–
Drainage		125	–	–	–
Kerb and gutter		–	–	–	118
Other councils – joint works/services		97	–	–	–
Recreation and culture		6	8	208	91
Roads and bridges		25	–	–	–
RMS contributions (regional roads, block grant)		1,665	1,630	–	–
Other		41	–	–	–
Regional Councils (RAMROC) contribution		12	–	–	–
Total other contributions – cash		1,997	1,653	526	209
Non-cash contributions					
Recreation and culture		–	–	10	–
Total other contributions – non-cash		–	–	10	–
Total other contributions		1,997	1,653	536	209
Total contributions		1,997	1,653	628	491
TOTAL GRANTS AND CONTRIBUTIONS		16,838	11,412	5,917	4,320

Accounting policy for grants and contributions

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

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

\$ '000	2019	2018
(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	3,378	3,321
Add: operating grants received for the provision of goods and services in a future period	–	3,378
Less: operating grants recognised in a previous reporting period now spent	(3,378)	(3,321)
Unexpended and held as restricted assets (operating grants)	–	3,378
Capital grants		
Unexpended at the close of the previous reporting period	12,267	13,679
Add: capital grants recognised in the current period but not yet spent	6,467	531
Less: capital grants recognised in a previous reporting period now spent	(6,188)	(1,943)
Unexpended and held as restricted assets (capital grants)	12,546	12,267
Contributions		
Unexpended at the close of the previous reporting period	1,444	1,156
Add: contributions recognised in the current period but not yet spent	–	288
Less: contributions recognised in a previous reporting period now spent	(1,444)	–
Unexpended and held as restricted assets (contributions)	–	1,444

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	10,265	8,810
Travel expenses	97	60
Employee leave entitlements (ELE)	2,361	2,080
Superannuation – defined contribution plans	1,051	836
Superannuation – defined benefit plans	229	261
Workers' compensation insurance	402	396
Fringe benefit tax (FBT)	42	67
Training costs (other than salaries and wages)	227	144
Other	95	75
Total employee costs	14,769	12,729
Less: capitalised costs	(1,740)	(1,739)
TOTAL EMPLOYEE COSTS EXPENSED	13,029	10,990
Number of 'full-time equivalent' employees (FTE) at year end	180	147

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

<u>\$ '000</u>	<u>2019</u>	<u>2018</u>
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	277	209
Total interest bearing liability costs expensed	<u>277</u>	<u>209</u>
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors	—	—
Total other borrowing costs	<u>—</u>	<u>—</u>
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>277</u>	<u>209</u>

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	32,064	22,584
Contractor and consultancy costs	13	188
Auditors remuneration	80	69
Legal expenses:		
– Legal expenses: planning and development	6	7
– Legal expenses: debt recovery	62	2
– Legal expenses: other	136	108
Other	19	–
Total materials and contracts	32,380	22,958
Less: capitalised costs	(21,755)	(14,325)
TOTAL MATERIALS AND CONTRACTS	10,625	8,633

Accounting policy for operating leases

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

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	62	66
Remuneration for audit and other assurance services	62	66
Total Auditor-General remuneration	62	66

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

Audit of regulatory returns	18	3
Remuneration for audit and other assurance services	18	3
Total remuneration of non NSW Auditor-General audit firms	18	3
Total Auditor remuneration	80	69

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		1,024	860
Office equipment		148	159
Furniture and fittings		21	25
Land improvements (depreciable)		105	116
Infrastructure:			
– Buildings – non-specialised		607	142
– Buildings – specialised		1,695	2,116
– Other structures		20	28
– Roads		3,504	3,504
– Bridges		237	208
– Footpaths		155	353
– Stormwater drainage		588	590
– Water supply network		941	1,074
– Sewerage network		1,055	1,123
– Swimming pools		128	122
– Other open space/recreational assets		55	52
Reinstatement, rehabilitation and restoration assets:			
– Quarry assets	10(a),13	7	7
Intangible assets	11	64	41
Total gross depreciation and amortisation costs		10,354	10,520
Total depreciation and amortisation costs		10,354	10,520
Impairment / revaluation decrement of IPP&E			
Office equipment		1	–
Property, plant and equipment – leased		4	–
Land improvements (depreciable)		68	341
Infrastructure:			
– Buildings – non-specialised		21	–
– Other structures		114	431
– Footpaths		1,223	–
– Stormwater drainage		3,709	2,681
– Water supply network		1,252	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		6,392	3,453
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		6,392	3,453
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		16,746	13,973

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 11 for intangible assets.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

Impairment of non-financial assets

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

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

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

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

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	210	125
Bank charges	82	78
Computer software charges	432	151
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	328	341
Councillor expenses – mayoral fee	35	25
Councillor expenses – councillors' fees	106	116
Councillors' expenses (incl. mayor) – other (excluding fees above)	1	3
Donations, contributions and assistance to other organisations (Section 356)	29	33
Election expenses	–	78
Electricity and heating	765	755
Fire control expenses	267	260
Insurance	506	446
Office expenses (including computer expenses)	179	79
Postage	53	54
Printing and stationery	88	93
Street lighting	296	274
Subscriptions and publications	142	111
Telephone and communications	115	109
Tourism expenses (excluding employee costs)	119	103
Valuation fees	58	56
Fair value decrements – restoration	–	147
Other	27	50
Total other expenses	3,838	3,487
Less: capitalised costs	–	(6)
<u>TOTAL OTHER EXPENSES</u>	<u>3,838</u>	<u>3,481</u>

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
Property (excl. investment property)			
Proceeds from disposal – property		176	–
Less: carrying amount of property assets sold/written off		(18)	–
Net gain/(loss) on disposal		158	–
Plant and equipment			
	10(a)		
Proceeds from disposal – plant and equipment		505	436
Less: carrying amount of plant and equipment assets sold/written off		(458)	(430)
Net gain/(loss) on disposal		47	6
Infrastructure			
	10(a)		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(3,913)	–
Net gain/(loss) on disposal		(3,913)	–
Real estate assets held for sale			
	8		
Proceeds from disposal – real estate assets		146	430
Less: carrying amount of real estate assets sold/written off		(96)	(109)
Net gain/(loss) on disposal		50	321
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		27,190	22,595
Less: carrying amount of investments sold/redeemed/matured		(27,190)	(22,595)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(3,658)	327

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	392	72
Cash-equivalent assets		
– Deposits at call	4,407	2,349
– Short-term deposits	18,321	1,230
Total cash and cash equivalents	<u>23,120</u>	<u>3,651</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 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'	15,526	–	40,203	–
Total Investments	<u>15,526</u>	<u>–</u>	<u>40,203</u>	<u>–</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>38,646</u>	<u>–</u>	<u>43,854</u>	<u>–</u>
Financial assets at amortised cost / held to maturity				
Long term deposits	15,526	–	40,203	–
Total	<u>15,526</u>	<u>–</u>	<u>40,203</u>	<u>–</u>

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Financial assets through profit or loss

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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

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

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

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

(b) Held to maturity investments

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

(c) Loans and receivables

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

(d) Available for sale financial assets

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

Recognition and de-recognition

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

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

Impairment of financial assets

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

Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

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

\$ '000	2019	2019	2018	2018
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	38,646	–	43,854	–

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Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
attributable to:				
External restrictions	28,609	–	31,287	–
Internal restrictions	9,539	–	11,368	–
Unrestricted	498	–	1,199	–
	38,646	–	43,854	–

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
Details of restrictions		
External restrictions – other		
Developer contributions – general	624	579
Developer contributions – water fund	275	264
Developer contributions – sewer fund	375	339
Specific purpose unexpended grants	12,546	15,645
Water supplies	8,623	8,498
Sewerage services	5,828	5,569
Domestic waste management	71	132
Yuluma-Cullivel Bus Committee	267	261
External restrictions – other	28,609	31,287
Total external restrictions	28,609	31,287
Internal restrictions		
Plant and vehicle replacement	784	784
Employees leave entitlement	1,915	1,915
Carry over works	1,525	2,385
Buildings / office equipment	288	601
Rand hall committee – toilet block	26	30
Gravel pits restoration	1,000	1,000
Waste depot restoration	300	600
Urana aquatic centre – upgrade	137	172
Cemetery	35	35
Corowa swimming pool	1,934	1,934
Saleyard	200	200
Economic development	75	75
Insurance	300	300
Howlong town improvement	179	306
Bangerang Park – Rivalea	25	25
Urana walkways – drs network	–	1
Medical services upgrade Urana	28	28
ICT/UPS installation reserve	100	100
Bridge infrastructure reserve	100	100
Preschool building asbestos removal	30	30
Billabidgee aged care units	99	104
Victoria park – balance budget	8	8
Road infrastructure reserve	323	500
Combined town and recreation s355	100	100
Weir repairs reserve	28	28
Windmill restoration	–	7
Total internal restrictions	9,539	11,368
TOTAL RESTRICTIONS	38,148	42,655

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	939	–	1,215	–
Interest and extra charges	241	–	224	–
User charges and fees	645	–	670	–
Private works	225	–	42	–
Contributions to works	50	–	52	–
Accrued revenues				
– Interest on investments	153	–	228	–
– Rates and annual charges	2,993	–	2,552	–
Amounts due from other councils	73	–	20	–
Deferred debtors	23	–	33	–
Government grants and subsidies	585	–	666	–
Loans to non-profit organisations	–	60	–	60
Net GST receivable	528	–	654	–
RMS works	262	–	1,263	–
Sundry works	505	–	103	–
Saleyard fees	130	–	88	–
Certificates	13	–	18	–
Other debtors	119	–	111	–
Total	7,484	60	7,939	60
Less: provision of impairment				
Rates and annual charges	(61)	–	(61)	–
User charges and fees	(4)	–	(4)	–
Total provision for impairment – receivables	(65)	–	(65)	–
TOTAL NET RECEIVABLES	7,419	60	7,874	60
Externally restricted receivables				
Water supply				
– Rates and availability charges	236	–	304	–
– Other	2,002	–	1,645	–
Sewerage services				
– Rates and availability charges	2,388	–	1,888	–
– Other	305	–	220	–
Total external restrictions	4,931	–	4,057	–
Unrestricted receivables	2,488	60	3,817	60
TOTAL NET RECEIVABLES	7,419	60	7,874	60
\$ '000			2019	2018
Movement in provision for impairment of receivables				
Balance at the beginning of the year (calculated in accordance with AASB 139)			65	65
Balance at the end of the period (in accordance with AASB 9)			65	65

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	885	234	795	234
Stores and materials	950	–	562	–
Total inventories at cost	1,835	234	1,357	234
<u>TOTAL INVENTORIES</u>	<u>1,835</u>	<u>234</u>	<u>1,357</u>	<u>234</u>

(b) Other assets

Prepayments	171	–	93	–
<u>TOTAL OTHER ASSETS</u>	<u>171</u>	<u>–</u>	<u>93</u>	<u>–</u>

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		186	–	–	–
Industrial/commercial		699	234	795	234
Total real estate for resale		885	234	795	234

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

Represented by:

Acquisition costs	186	234	–	234
Development costs	699	–	795	–
Total costs	885	234	795	234

Total real estate for resale

885	234	795	234
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Movements:

Real estate assets at beginning of the year		795	234	904	234
– Transfers in from (out to) Note 10		186	–	–	–
– WDV of sales (expense)	5	(96)	–	(109)	–
Total real estate for resale		885	234	795	234

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

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. Non-current assets classified as held for sale

(i) Non-current assets and disposal group assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Non-current assets 'held for sale'				
Land	19	–	–	–
Total non-current assets 'held for sale'	19	–	–	–
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>19</u>	<u>–</u>	<u>–</u>	<u>–</u>

(ii) Details of assets and disposal groups

Two blocks of land sold during August, 2019 in Oaklands.

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

\$ '000	2019 Assets 'held for sale'	2018 Assets 'held for sale'
<u>Plus new transfers in:</u>		
– Assets 'held for sale'	19	–
Closing balance of 'held for sale' non-current assets and operations	<u>19</u>	<u>–</u>

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

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

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

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

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

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

	as at 30/6/2018			Asset movements during the reporting period												as at 30/6/2019			
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Tfrs from/(to) Intangible assets (Note 11)	Tfrs from/(to) 'held for sale' category (Note 9)	Tfrs from/(to) real estate assets (Note 8)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	4,865	–	4,865	8,837	–	–	–	–	–	(3,220)	–	–	–	–	–	–	10,482	–	10,482
Plant and equipment	16,124	(7,272)	8,852	1,745	–	–	(458)	(1,024)	–	–	(34)	–	–	–	(5)	–	15,867	(6,791)	9,076
Office equipment	1,610	(579)	1,031	94	58	–	(9)	(148)	(1)	–	(19)	(86)	–	–	(297)	–	817	(194)	623
Furniture and fittings	449	(268)	181	–	7	–	–	(21)	–	–	–	–	–	–	(2)	–	456	(291)	165
Plant and equipment (under finance lease)	30	(30)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Land:																			
– Operational land	11,088	–	11,088	–	–	–	(21)	–	(4)	–	57	–	(19)	(186)	–	–	10,915	–	10,915
– Community land	11,383	–	11,383	–	–	–	–	–	–	–	(57)	–	–	–	–	–	11,326	–	11,326
– Land under roads (post 30/6/08)	100	–	100	–	–	–	–	–	–	–	–	–	–	–	–	–	100	–	100
Land improvements – depreciable	4,130	(1,842)	2,288	87	241	–	–	(105)	(68)	111	(184)	–	–	–	–	–	3,015	(645)	2,370
Infrastructure:																			
– Buildings – non-specialised	22,524	(5,215)	17,309	30	–	–	–	(607)	(21)	–	(239)	–	–	–	–	749	22,263	(5,042)	17,221
– Buildings – specialised	67,830	(32,494)	35,336	–	1,307	–	(297)	(1,695)	–	207	566	–	–	–	–	1,994	70,408	(32,990)	37,418
– Other structures	1,526	(818)	708	47	–	–	–	(20)	(114)	2	–	–	–	–	–	–	1,575	(952)	623
– Roads	226,435	(45,762)	180,673	9,053	–	117	–	(3,504)	–	1,895	–	–	–	–	–	–	237,383	(49,149)	188,234
– Bridges	23,980	(8,066)	15,914	–	–	–	–	(237)	–	–	–	–	–	–	(805)	–	23,654	(8,782)	14,872
– Footpaths	12,898	(2,998)	9,900	133	–	–	(15)	(155)	(1,223)	–	50	–	–	–	(3,664)	–	6,763	(1,737)	5,026
– Bulk earthworks (non-depreciable)	70,409	–	70,409	–	–	–	–	–	–	–	–	–	–	–	–	–	70,409	–	70,409
– Stormwater drainage	54,078	(9,771)	44,307	751	190	–	(253)	(588)	(3,709)	–	–	–	–	–	–	–	54,685	(13,987)	40,698
– Water supply network	66,117	(24,619)	41,498	1,752	50	–	(1,054)	(941)	(1,252)	751	(207)	–	–	–	(2,515)	–	67,137	(29,055)	38,082
– Sewerage network	77,870	(25,576)	52,294	542	78	–	(2,026)	(1,055)	–	147	5	–	–	–	–	1,433	77,618	(26,200)	51,418
– Swimming pools	5,492	(2,569)	2,923	–	–	–	–	(128)	–	–	27	–	–	–	–	120	5,605	(2,663)	2,942
– Other open space/recreational assets	1,433	(398)	1,035	21	312	–	(259)	(55)	–	107	35	–	–	–	(21)	–	1,577	(402)	1,175
Reinstatement, rehabilitation and restoration assets (refer Note 14):																			
– Quarry assets	343	(226)	117	–	–	–	–	(7)	–	–	–	–	–	–	–	–	343	(233)	110
Total Infrastructure, property, plant and equipment	680,714	(168,503)	512,211	23,092	2,243	117	(4,392)	(10,290)	(6,392)	–	–	(86)	(19)	(186)	(7,309)	4,296	692,398	(179,113)	513,285

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

\$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	2,396	–	2,396	3,364	319	–	–	–	–	(1,214)	–	4,865	–	4,865
Plant and equipment	14,013	(7,412)	6,601	3,371	–	–	(430)	(860)	–	–	170	16,124	(7,272)	8,852
Office equipment	894	(636)	258	203	22	–	–	(159)	–	289	418	1,610	(579)	1,031
Furniture and fittings	363	(205)	158	–	–	–	–	(25)	–	–	48	449	(268)	181
Plant and equipment (under finance lease)	30	(30)	–	–	–	–	–	–	–	–	–	30	(30)	–
Land:														
– Operational land	9,764	–	9,764	4	–	–	–	–	–	–	1,320	11,088	–	11,088
– Community land	5,407	–	5,407	–	–	–	–	–	–	–	5,976	11,383	–	11,383
– Land under roads (post 30/6/08)	100	–	100	–	–	–	–	–	–	–	–	100	–	100
Land improvements – depreciable	3,659	(1,082)	2,577	72	75	–	–	(116)	(341)	21	–	4,130	(1,842)	2,288
Infrastructure:														
– Buildings – non-specialised	26,679	(14,256)	12,423	182	–	–	–	(142)	–	34	4,812	22,524	(5,215)	17,309
– Buildings – specialised	45,227	(27,662)	17,565	–	39	–	–	(2,116)	–	–	19,848	67,830	(32,494)	35,336
– Other structures	3,693	(2,527)	1,166	–	–	–	–	(28)	(431)	–	–	1,526	(818)	708
– Roads	213,498	(41,045)	172,453	7,823	–	1,919	–	(3,504)	–	630	1,352	226,435	(45,762)	180,673
– Bridges	20,180	(5,805)	14,375	–	–	–	–	(208)	–	–	1,747	23,980	(8,066)	15,914
– Footpaths	7,562	(1,033)	6,529	60	–	–	–	(353)	–	–	3,664	12,898	(2,998)	9,900
– Bulk earthworks (non-depreciable)	68,960	–	68,960	–	–	–	–	–	–	–	1,449	70,409	–	70,409
– Stormwater drainage	52,857	(5,336)	47,521	57	–	–	–	(590)	(2,681)	–	–	54,078	(9,771)	44,307
– Water supply network	62,870	(22,694)	40,176	414	–	–	–	(1,074)	–	71	1,911	66,117	(24,619)	41,498
– Sewerage network	60,050	(18,021)	42,029	1,089	–	–	–	(1,123)	–	164	10,135	77,870	(25,576)	52,294
– Swimming pools	6,365	(4,517)	1,848	–	–	–	–	(122)	–	–	1,197	5,492	(2,569)	2,923
– Other open space/recreational assets	1,010	(398)	612	379	–	–	–	(52)	–	5	91	1,433	(398)	1,035
Reinstatement, rehabilitation and restoration assets (refer Note 14):														
– Quarry assets	343	(219)	124	–	–	–	–	(7)	–	–	–	343	(226)	117
Total Infrastructure, property, plant and equipment	605,920	(152,878)	453,042	17,018	455	1,919	(430)	(10,479)	(3,453)	–	54,138	680,714	(168,503)	512,211

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	4 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 25
Computer equipment	3 to 10		
Vehicles	5 to 15	Buildings	
Heavy plant/road making equipment	5 to 15	Buildings: masonry	50 to 80
Other plant and equipment	5 to 90	Buildings: other	10 to 60
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100 to 150	Drains	80 to 100
Bores	20 to 30	Culverts	80 to 100
Reticulation pipes: PVC	70	Flood control structures	70 to 90
Reticulation pipes: other	45 to 90		
Pumps and telemetry	15 to 25		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	10 to 25	Bulk earthworks	Indefinite
Sealed roads: structure	50	Swimming pools	20 to 100
Unsealed roads	10 to 20	Other open space/recreational assets	10 to 100
Bridge: concrete	100		
Bridge: other	50		
Road pavements	40 to 80		
Kerb, gutter and footpaths	40 to 80		
Footpaths	15 to 50		

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

Land under roads

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

These Rural Fire Service assets are not recognised as assets of the Council in these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10(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	284	–	284	807	–	807
Plant and equipment	119	15	104	44	–	44
Office equipment	144	14	130	6	3	3
Land						
– Operational land	1,971	–	1,971	1,971	–	1,971
– Improvements – depreciable	63	1	62	–	–	–
Buildings	1,937	921	1,016	1,182	422	760
Infrastructure	67,137	29,055	38,082	66,117	24,619	41,498
Total water supply	71,655	30,006	41,649	70,127	25,044	45,083
Sewerage services						
WIP	24	–	24	259	–	259
Plant and equipment	95	35	60	61	35	26
Office equipment	129	15	114	2	1	1
Land						
– Operational land	1,081	–	1,081	1,081	–	1,081
– Improvements – depreciable	112	–	112	–	–	–
Buildings	1,145	315	830	914	214	700
Infrastructure	77,618	26,200	51,418	77,870	25,542	52,328
Total sewerage services	80,204	26,565	53,639	80,187	25,792	54,395
Domestic waste management						
Land						
Total DWM	–	–	–	–	–	–
TOTAL RESTRICTED I,PP&E	151,859	56,571	95,288	150,314	50,836	99,478

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

Assets have been assessed for impairment resulting in a reduction of \$6.392m in asset value - refer Note 4(d).

A review of asset data that that was merged from the former Corowa and Urana Shire Councils identified some discrepancy in depreciation methodology and calculation. The financial statements have been prepared with updated asset data which has resulted in a reduction in the value of assets, particularly in the stormwater, water and footpath asset classes. This appears as an asset impairment in the financial statements and accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	408	408
Accumulated amortisation	(91)	(50)
Net book value – opening balance	317	358
Movements for the year		
– Purchases	12	–
– Transfers from Infrastructure, property, plant and equipment (Note 10)	86	–
– Amortisation charges	(64)	(41)
Closing values at 30 June		
Gross book value	552	408
Accumulated amortisation	(201)	(91)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	351	317
The net book value of intangible assets represents:		
– Software	351	317
	351	317

Accounting policy for intangible assets**IT development and software**

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

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	3,573	–	5,266	–
Accrued expenses:				
– Salaries and wages	546	–	391	–
Security bonds, deposits and retentions	794	–	573	–
Other	–	–	3	–
Total payables	4,913	–	6,233	–
Income received in advance				
Payments received in advance	650	–	596	–
Total income received in advance	650	–	596	–
Borrowings				
Loans – secured ¹	108	3,760	102	3,867
Total borrowings	108	3,760	102	3,867
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>5,671</u>	<u>3,760</u>	<u>6,931</u>	<u>3,867</u>

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	551	–	288	–
Sewer	405	2,434	62	2,500
Payables and borrowings relating to externally restricted assets	956	2,434	350	2,500
Total payables and borrowings relating to restricted assets	956	2,434	350	2,500
Total payables and borrowings relating to unrestricted assets	4,715	1,326	6,581	1,367
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>5,671</u>	<u>3,760</u>	<u>6,931</u>	<u>3,867</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

\$ '000	2019	2018
(b) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ¹	380	380
Credit cards/purchase cards	60	35
Total financing arrangements	440	415
Drawn facilities as at balance date:		
– Credit cards/purchase cards	14	16
Total drawn financing arrangements	14	16
Undrawn facilities as at balance date:		
– Bank overdraft facilities	380	380
– Credit cards/purchase cards	46	19
Total undrawn financing arrangements	426	399

(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 13. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	959	–	1,013	–
Long service leave	1,383	106	1,215	89
Other leave	2	–	2	–
Sub-total – aggregate employee benefits	2,344	106	2,230	89
Asset remediation/restoration:				
Asset remediation/restoration (future works)	432	709	431	709
Sub-total – asset remediation/restoration	432	709	431	709
Other provisions				
Superannuation	138	4	137	4
Workers Compensation	80	3	71	3
Sub-total – other provisions	218	7	208	7
TOTAL PROVISIONS	2,994	822	2,869	805

Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2019				
At beginning of year	1,013	1,304	2	2,319
Additional provisions	774	647	–	1,421
Amounts used (payments)	(828)	(462)	–	(1,290)
Total ELE provisions at end of period	959	1,489	2	2,450
2018				
At beginning of year	1,044	1,321	1	2,366
Additional provisions	769	316	1	1,086
Amounts used (payments)	(800)	(333)	–	(1,133)
Total ELE provisions at end of period	1,013	1,304	2	2,319

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

\$ '000	Other provisions			Total
	Super-annuation	Workers Compensation	Asset remediation	
2019				
At beginning of year	141	74	1,140	1,355
Additional provisions	1	9	–	10
Other	–	–	1	1
Total other provisions at end of period	142	83	1,141	1,366
2018				
At beginning of year	122	–	993	1,115
Additional provisions	19	74	–	93
Other	–	–	147	147
Total other provisions at end of period	141	74	1,140	1,355

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. 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) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

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

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

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

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

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

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

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).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	23,120	3,651
Balance as per the Statement of Cash Flows		23,120	3,651
 (b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		258	2,548
Adjust for non-cash items:			
Depreciation and amortisation		10,354	10,520
Net losses/(gains) on disposal of assets		3,658	(327)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		6,392	3,453
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		445	(723)
Decrease/(increase) in inventories		(388)	7
Decrease/(increase) in other current assets		(78)	(48)
Increase/(decrease) in payables		(1,693)	2,967
Increase/(decrease) in other accrued expenses payable		155	74
Increase/(decrease) in other liabilities		272	236
Increase/(decrease) in provision for employee benefits		131	(47)
Increase/(decrease) in other provisions		11	240
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		19,517	18,900

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. 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	743	75
Plant and equipment	1,765	–
Roads	152	106
Sewer	–	20
Caravan Park	–	546
Water	–	31
Tip	–	12
Recreation	1,035	–
Industrial Land	223	–
Other	–	32
Total commitments	3,918	822
These expenditures are payable as follows:		
Within the next year	3,918	822
Total payable	3,918	822
Sources for funding of capital commitments:		
Unrestricted general funds	2,134	203
Future grants and contributions	331	9
Externally restricted reserves	1,404	52
Internally restricted reserves	49	558
Total sources of funding	3,918	822
Details of capital commitments		
Commitments are for Stronger Community Projects, Stronger Country Communities Project, Plant Purchases & Industrial land Upgrades.		
(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	–	10
Total non-cancellable operating lease commitments	–	10
b. Non-cancellable operating leases include the following assets:		
Conditions relating to finance and operating leases:		
– All finance agreements are secured only against the leased asset.		
– No lease agreements impose any financial restrictions on Council regarding future debt etc.		

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

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

Description of the funding arrangements.

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years 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.

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 217,935.42. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ending 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Council's expected contribution to the plan for the next annual reporting period is \$206,910.92.

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	100.4%

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

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) 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 17. 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.

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

(iii) Rural Fire Service

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

These Rural Fire Service assets are not recognised as assets of the Council in these financial statements.

(iv) Southern Phone

Council owns 1 ordinary (Class A) share and 1 redeemable preference share (Class B to ZZ) of Southern Phones, a Company Limited by shares.

The fair value of Southern Phones at 30 June 2019 is estimated to be approximately \$16.2 million with one ordinary share estimated at \$55.5K and one preference share estimated at \$34.6K.

As there is no active market for these shares, and based on materiality, Council has elected not to recognise the fair value of these shares in their financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

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

(iv) Riverina Regional Library

		Net Profit 2019	Net Assets 2019
Riverina Regional Library	Provision of Services to Member Councils	\$76,120	\$4,552,891
Council's Share		\$6,311	\$377,435

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	23,120	3,651	23,120	3,651
Receivables	7,479	7,934	7,479	7,934
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	15,526	40,203	15,526	40,203
Total financial assets	46,125	51,788	46,125	51,788
Financial liabilities				
Payables	4,913	6,233	4,913	6,233
Loans/advances	3,868	3,969	3,868	3,969
Total financial liabilities	8,781	10,202	8,781	10,202

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether the changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	394	394	(394)	(394)
2018				
Possible impact of a 1% movement in interest rates	435	435	(435)	(435)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

(b) Credit risk

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

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	548	120	65	77	129	939
2018						
Gross carrying amount	766	214	64	36	135	1,215

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	1	4,853	95	67	1,589	6,605
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2018						
Gross carrying amount	5,385	155	632	37	575	6,784
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	794	4,119	–	–	4,913	4,913
Loans and advances	7.03%	–	379	1,515	5,051	6,945	3,868
Total financial liabilities		794	4,498	1,515	5,051	11,858	8,781
2018							
Trade/other payables	0.00%	573	5,660	–	–	6,233	6,233
Loans and advances	7.03%	–	102	627	3,240	3,969	3,969
Total financial liabilities		573	5,762	627	3,240	10,202	10,202

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 25 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	13,841	14,062	221	2% F
User charges and fees	8,106	9,703	1,597	20% F
User charges and fees received were greater than budget due to an increase in sales activity in the Corowa Saleyards, an increase in the usage of water by customers and an increased length of road maintained on behalf of and recovered from the State Government.				
Interest and investment revenue	1,025	1,132	107	10% F
Council's cash holdings were greater than originally anticipated which resulted in additional interest revenue being received by Council. The cash holdings included grant funds that have been received and will be expended in 2019/20 as significant capital works projects progress from the planning stage to construction stage.				
Other revenues	274	779	505	184% F
Council received unbudgeted income from the temporary sale of its water allocation, contributions from other councils relating to the transfer of employee leave entitlements and rebates from Council's' insurance program.				
Operating grants and contributions	10,277	16,838	6,561	64% F
Council's operating grants were boosted as a result of receiving an additional \$5.3million under the Stronger Communities Program. This funding was unexpected and not budgeted for.				
Capital grants and contributions	11,668	5,917	(5,751)	(49)% U
Council's capital grants were less than budgeted due to timing differences between when specific funded capital projects were budgeted to progress and when actual works were undertaken. The capital grants have been allocated to Council and will be received as the projects meet required milestones and reimbursement is sought from the funding bodies.				
Net gains from disposal of assets	50	-	(50)	100% U
A minor gain on the disposal of assets was budgeted for 2018/19. During the year a review of infrastructure assets was undertaken to specifically consider the accounting for infrastructure assets that had been renewed. Where an infrastructure asset is renewed and effectively replaced, the value of the original asset that has been removed is required to be recognised as an asset disposal and the newly constructed asset as an asset addition. This has resulted in a significant net loss of \$3.6million on the disposal of assets which is recognised in the expenses section of this report (rather than the revenue section).				

EXPENSES

Employee benefits and on-costs	11,201	13,029	(1,828)	(16)% U
Employee benefits and on-costs were greater than budget with the employment of additional staff to undertake merger-funded projects and to deliver extra services taken on by Council during the year, such as the Ball Park Caravan Park. In addition				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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there were termination payments made to staff that left as a result of the new organisational structure that was adopted by Council in late 2018.

Borrowing costs	434	277	157	36%	F
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A loan was originally budgeted to fund the Mulwala industrial land subdivision and the construction of the Corowa Swimming Pool. The loan has not yet been accessed and as a result borrowing costs were considerably lower than budgeted.

Materials and contracts	9,562	10,625	(1,063)	(11)%	U
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Materials and contract expenditure was greater than budget with expenditure required to deliver merger-funded projects and to deliver extra services taken on by Council during the year, such as the Ball Park Caravan Park.

Depreciation and amortisation	8,916	10,354	(1,438)	(16)%	U
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Budgeted depreciation was calculated based on asset values at 30 June 2017. Some asset classes were revalued as at 30 June 2018 which has resulted in a higher depreciation expense being recognised for 2018/19.

Other expenses	3,140	3,838	(698)	(22)%	U
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Other expenses were greater than budget due to software upgrades and licensing required as part of merger-funded projects, increased expenditure on advertising relating to the new organisational and increased communication activity.

Net losses from disposal of assets	-	3,658	(3,658)	∞	U
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During the year a review of infrastructure assets was undertaken to specifically consider the accounting for infrastructure assets that had been renewed. Where an infrastructure asset is renewed and effectively replaced, the value of the original asset that has been removed is required to be recognised as an asset disposal and the newly constructed asset as an asset addition. This has resulted in a significant net loss of \$3.6million on the disposal of assets.

Revaluation decrement / impairment of IPP&E	-	6,392	(6,392)	∞	U
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The budget for 2018/19 did not include an allocation for a revaluation increment or decrement. A revaluation of assets that was undertaken at 30 June 2019 has resulted in a significant asset decrement of \$6.4million, particularly in the footpath, stormwater drainage and water supply network asset classes. Given that the Council was newly formed in 2016, the asset revaluation reserve did not contain adequate reserves in these classes to absorb the revaluation decrement. As a consequence this non-cash adjustment has been expensed in the Income Statement.

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	21,089	19,517	(1,572)	(7)%	U
Net cash provided from (used in) investing activities	(40,366)	53	40,419	(100)%	F

The budget for 2018/19 had provided for the delivery of significant grant-funded projects and the associated expenditure outflows. Major projects included the Corowa Swimming Pool, Howlong Multipurpose Centre, Mulwala All Abilities Playground and Urana Aquatic Centre. In addition there were numerous other community projects spread across the Council area. With extensive planning works conducted in 2018/19 that was required prior to project construction, the majority of this project expenditure will now be incurred in 2019/20.

In addition, the net cash in investing activities includes a \$25million cash receipt resulting from the appropriate recognition of short term deposits (of less than 90 days) as being cash and cash equivalents. This was not factored into the original budget and results in a reporting variance that is primarily a timing recognition difference. This also accounts for the significant increase in the cash and cash equivalents balance at the end of the year.

Net cash provided from (used in) financing activities	8,365	(101)	(8,466)	(101)%	U
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Loans were originally budgeted to fund the Mulwala industrial land subdivision and the construction of the Corowa Swimming Pool. The loans have not yet been accessed and as a result proceeds from borrowings and advances is nil for the 2018/19

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations (continued)

year. In the short term the Mulwala industrial land subdivision has been funded with Council's existing cash reserves and funds required to support the significant expenditure on the Corowa Swimming Pool is not expected until 2020.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement

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

– Infrastructure, property, plant and equipment.

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

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

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

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

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

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

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	10(a)					
Plant and equipment		30/06/18	–	9,076	–	9,076
Office equipment		30/06/18	–	–	623	623
Furniture and fittings		30/06/18	–	–	165	165
Land – operational land		30/06/16	–	10,915	–	10,915
Land – community land		30/06/16	–	–	11,326	11,326
Land – land under roads (post 30/6/08)		30/06/13	–	–	100	100
Land improvements – depreciable		30/06/18	–	–	2,370	2,370
Buildings – non-specialised		30/06/17	–	17,221	–	17,221
Buildings – specialised		30/06/17	–	–	37,418	37,418
Other structures		30/06/18	–	–	623	623
Roads		30/06/17	–	–	188,234	188,234
Bridges		30/06/17	–	–	14,872	14,872
Footpaths		30/06/17	–	–	5,026	5,026
Bulk earthworks (non-depreciable)		30/06/17	–	–	70,409	70,409
Stormwater drainage		30/06/18	–	–	40,698	40,698
Water supply network		30/06/18	–	–	38,082	38,082
Sewerage network		30/06/18	–	–	51,418	51,418
Swimming pools		30/06/18	–	–	2,942	2,942
Other open space/recreational assets		30/06/18	–	–	1,175	1,175
Quarry assets		12/05/11	–	–	110	110
Total infrastructure, property, plant and equipment			–	37,212	465,591	502,803

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	10(a)					
Plant and equipment		30/06/18	–	8,852	–	8,852
Office equipment		30/06/18	–	–	1,031	1,031
Furniture and fittings		30/06/18	–	–	181	181
Land – operational land		30/06/16	–	11,088	–	11,088
Land – community land		30/06/16	–	–	11,383	11,383
Land – land under roads (post 30/6/08)		30/06/13	–	–	100	100
Land improvements – depreciable		30/06/18	–	–	2,288	2,288
Buildings – non-specialised		30/06/17	–	17,309	–	17,309
Buildings – specialised		30/06/17	–	–	35,336	35,336
Other structures		30/06/18	–	–	708	708
Roads		30/06/17	–	–	180,673	180,673
Bridges		30/06/17	–	–	15,914	15,914
Footpaths		30/06/17	–	–	9,900	9,900
Bulk earthworks (non-depreciable)		30/06/17	–	–	70,409	70,409
Stormwater drainage		30/06/18	–	–	44,307	44,307
Water supply network		30/06/18	–	–	41,498	41,498
Sewerage network		30/06/18	–	–	52,294	52,294
Swimming pools		30/06/18	–	–	2,923	2,923
Other open space/recreational assets		30/06/18	–	–	1,035	1,035
Quarry assets		12/05/11	–	–	117	117
Total infrastructure, property, plant and equipment			–	37,249	470,097	507,346

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

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

During the year there were no transfers between fair value hierarchies for recurring fair value measurements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

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

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

Plant & Equipment, Office Equipment, Furniture & Fittings and Other Assets

Plant & Equipment, Office Equipment, Furniture & Fittings and Other Assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to their nature.

Examples of assets within these classes are as follows:

- Plant and Equipment
- Office Equipment
- Furniture and Fittings
- Other Assets

There has been no change to the valuation process during the reporting period, other than normal useful life and rate considerations.

Land and Buildings

Operational & Community Land

Operational & Community Land values are based on the Land Values provided by the Valuer-General for 30/6/2016. Where rates were not available for Community land, adjacent land rates were adopted, based on 2016 land values Land Value was based on the valuer's opinion of estimated market value of arm's length transaction between buyer and seller, both willing and knowledgeable parties.

Buildings - Non-Specialised & Specialised

Buildings were externally valued by Scott Fullarton Valuations Pty Ltd for 30/6/2017. Specialised and Non-specialised buildings were both valued by the external valuer.

Buildings were valued at fair value. Fair value is the best estimate of the price reasonably obtained in the market at the date of valuation. No market based evidence (Level 2) could be used as reference. As such, these assets were all classified as having been valued using Level 3 inputs.

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

Other Structures

Balldale water system is classified as Other Structures. The water system is a non portable water supply and the depreciated cost approach has been adopted. The replacement cost was estimated for the asset because no market based evidence (Level 2) could be use as reference, except for the bore that was replaced.

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

Roads, Bridges and Footpaths

Age based depreciated replacement cost method applied for asset valuation Condition based assessment was undertaken where initial installation dates where unknown. Valuations of roads, bridges and footpaths were undertaken in-house based on actual cost and assumptions from Council's Engineering Department.

Bridge and major culverts were extensively revised and unit rates for other assets were reconsidered. Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacts significantly on the final determination of fair value. As such, this asset class was classified as having been valued using Level 3 inputs.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

Stormwater Drainage

Age based depreciated replacement cost method applied for asset valuation.

Unit rates adopted were benchmarked against adjacent Council rates and NSW Reference manual rates.

The carrying value was determined using a linear, age-based valuation method to more closely determine the asset's value.

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.

As such, this asset class was classified as having been valued using Level 3 inputs.

Water Supply Network

This asset class comprises of water mains and equipment such as reticulations mains, bores and dam/reservoirs.

Age based depreciated replacement cost method applied for asset valuation.

The assets are valued using age-based methodology and indexed using the NSW Reference manual rates.

Replacement cost is determined based on using current equivalent materials and methods.

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.

As such, this asset class was classified as having been valued using Level 3 inputs.

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

Sewerage Network

This asset class comprises pump stations, sewerage mains and treatment plants.

Age based depreciated replacement cost method applied for asset valuation. Replacement cost is determined from the NSW Reference Rates Manual.

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.

As such, this asset class was classified as having been valued using Level 3 inputs.

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

Non-current assets classified as 'held for sale'

Land and Buildings Classified as 'Held for Sale'

Council's non current assets are measured at fair value less costs to sell.

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 20. 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	Office equipment	Furniture and fittings	Land excluding operational land	Building specialised	Other structures
2018					
Opening balance	258	158	8,084	17,565	1,166
Transfers from/(to) another asset class	289	–	21	–	–
Purchases (GBV)	225	–	147	39	–
Depreciation and impairment	(159)	(25)	(457)	(2,116)	(458)
Revaluation increments to equity	418	48	5,976	19,848	–
Closing balance	1,031	181	13,771	35,336	708
2019					
Opening balance	1,031	181	13,771	35,336	708
Transfers from/(to) another asset class	(105)	–	(241)	566	–
Purchases (GBV)	152	7	439	1,514	49
Disposals (WDV)	(9)	–	–	(297)	–
Depreciation and impairment	(149)	(21)	(173)	(1,695)	(134)
Revaluation increments to equity	(297)	(2)	–	1,994	–
Closing balance	623	165	13,796	37,418	623

\$ '000	Roads	Bridges	Footpaths	Bulk earthworks	Stormwater drainage
2018					
Opening balance	172,453	14,375	6,529	68,960	47,521
Transfers from/(to) another asset class	630	–	–	–	–
Purchases (GBV)	7,823	–	60	–	57
Depreciation and impairment	(3,504)	(208)	(353)	–	(3,761)
Revaluation increments to equity	1,352	1,747	3,664	1,449	–
Reinstatement costs for impaired assets	1,919	–	–	–	–
Closing balance	180,673	15,914	9,900	70,409	43,817
2019					
Opening balance	180,673	15,914	9,900	70,409	43,817
Transfers from/(to) another asset class	–	–	50	–	–
Purchases (GBV)	10,948	–	133	–	941
Disposals (WDV)	–	–	(15)	–	(253)
Depreciation and impairment	(3,504)	(237)	(1,378)	–	(4,297)
Revaluation increments to equity	–	(805)	(3,664)	–	–
Reinstatement costs for impaired assets	117	–	–	–	–
Closing balance	188,234	14,872	5,026	70,409	40,208

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Water supply network	Sewerage network	Swimming pools
2018			
Opening balance	40,176	42,029	1,848
Transfers from/(to) another asset class	71	164	–
Purchases (GBV)	414	1,089	–
Depreciation and impairment	(1,074)	(1,123)	(122)
Revaluation increments to equity	1,911	10,135	1,197
Closing balance	41,498	52,294	2,923
2019			
Opening balance	41,498	52,294	2,923
Transfers from/(to) another asset class	(207)	5	27
Purchases (GBV)	2,553	767	–
Disposals (WDV)	(1,054)	(2,026)	–
Depreciation and impairment	(1,098)	(1,055)	(128)
Revaluation increments to equity	(3,610)	1,433	120
Closing balance	38,082	51,418	2,942

\$ '000	Other open space	Quarry assets	Total
2018			
Opening balance	612	124	421,858
Transfers from/(to) another asset class	5	–	1,180
Purchases (GBV)	379	–	10,233
Depreciation and impairment	(52)	(7)	(13,419)
Revaluation increments to equity	91	–	47,836
Reinstatement costs for impaired assets	–	–	1,919
Closing balance	1,035	117	469,607
2019			
Opening balance	1,035	117	469,607
Transfers from/(to) another asset class	35	–	130
Purchases (GBV)	440	–	17,943
Disposals (WDV)	(259)	–	(3,913)
Depreciation and impairment	(55)	(7)	(13,931)
Revaluation increments to equity	(21)	–	(4,852)
Reinstatement costs for impaired assets	–	–	117
Closing balance	1,175	110	465,101

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

For each FV hierarchy transfer into or out of level 3, please reference and list the details and reasons for the change here.

NB. Transfers in to a level are required to be detailed separately to transfers out.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

	Valuation technique/s	Unobservable inputs
c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.		
Infrastructure, property, plant and equipment		
Office Equipment	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Furniture & Fittings	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Land - excluding operational land	Valued using valuer-based methodology	Value of land is determined by valuer, in between valuation, the value of land will be maintained
Buildings - specialised	Valued using valuer-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Other Structures	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Roads	Valued using condition-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Bridges	Valued using condition-based methodology	Construction of new bridges and repair of existing bridges occurs relatively infrequently, so collecting benchmark information on unit rates, useful life and degradation is difficult
Footpaths	Valued using condition-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Bulk Earthworks (non-depreciable)	Internal valuation	Significant movement in cost for replacement would considerably impact the fair value measurement
Stormwater Drainage	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Water Supply Network	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Sewerage Network	Valued using age-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Swimming Pools	Depreciated historical cost	Replacement cost, remaining useful life and residual value
Other Open Space/Recreational Assets	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Quarry Assets	Internal valuation	Estimated cost

d. The valuation process for level 3 fair value measurements

Council's fair value is done based on the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Council's valuation will be recorded at the depreciated replacement cost (i.e. written-down value) using the fair value approach to arrive at the fair value.

The "Replacement Cost" method will typically be used as this is the most common method for non-commercial Council infrastructure assets where a market value is not available to determine the value of the asset.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

Determination of the replacement cost at times will require componentisation to allow for different useful lives, unit rates and consumption to be considered, so that a reasonable value can be determined for the total and fair value of the asset.

An assets can be determined based on the assets condition, expected remaining life and unit costs to arrive at the current fair value of the asset. Asset services undertake the valuation exercise in consultation with the Engineering department. There are instances that external in the valuation process.

Asset revaluations will cycles occur at a maximum of every 5 years. During the annual valuation cycle the unit rates will be adjusted, where required, to limit materiality issues. Where a material financial difference in the asset classes value is likely to be greater than 10%, then a review and adjustment of the unit rates will be required.

Indications of changes in value will be first considered with relevant Building Price Index changes (BPI) changes.

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions

(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	895	936
Post-employment benefits	73	75
Other long-term benefits	38	22
Termination benefits	157	308
Total	1,163	1,341

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions (continued)

(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	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					
Civil works	3,724	22	30 days creditor	–	–
Employee expenses relating to family member of KMP	57	–	Council staff award	–	–
Refund of bonds	11	–	7 days creditor	–	–
User fee and charges	2	–	30 days creditor	–	–
2018					
Civil works	325	–	30 days creditor	–	–
Consultation fee prior to employment	82	–	7 days creditor	–	–
Employee expenses relating to family member of KMP	40	–	Council staff award	–	–
Refund of bonds	2	–	7 days creditor	–	–
User fee and charges	13	–	30 days creditor	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. 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 23. 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			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					
Drainage	153	15	–	–	–	–	168	–
Roads	190	16	–	–	–	–	206	–
Open space	90	1	–	–	–	–	91	–
Community facilities	144	13	–	–	–	–	157	–
S7.11 contributions – under a plan	577	45	–	–	–	–	622	–
Total S7.11 and S7.12 revenue under plans	577	45	–	–	–	–	622	–
S64 contributions	605	47	–	–	–	–	652	–
Total contributions	1,182	92	–	–	–	–	1,274	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN (former Corowa)

Drainage	153	15	–	–	–	–	168	–
Roads	190	16	–	–	–	–	206	–
Open space	90	1	–	–	–	–	91	–
Community facilities	144	13	–	–	–	–	157	–
Total	577	45	–	–	–	–	622	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Financial result and financial position by fund

\$ '000	Waste 2019	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund				
Income from continuing operations				
Rates and annual charges	1,705	8,083	569	3,705
User charges and fees	–	4,712	4,448	543
Interest and investment revenue	13	631	284	204
Other revenues	–	462	284	33
Grants and contributions provided for operating purposes	75	16,501	116	146
Grants and contributions provided for capital purposes	–	5,870	11	36
Total income from continuing operations	1,793	36,259	5,712	4,667
Expenses from continuing operations				
Employee benefits and on-costs	228	8,933	2,039	1,829
Borrowing costs	–	89	–	188
Materials and contracts	1,634	7,128	799	1,064
Depreciation and amortisation	–	7,158	2,103	1,093
Other expenses	–	3,240	428	170
Net losses from the disposal of assets	–	577	1,055	2,026
Revaluation decrement /impairment of IPPE	–	6,235	157	–
Total expenses from continuing operations	1,862	33,360	6,581	6,370
Operating result from continuing operations	(69)	2,899	(869)	(1,703)
Net operating result for the year	(69)	2,899	(869)	(1,703)
Net operating result attributable to each council fund	–	2,830	(869)	(1,703)
Net operating result for the year before grants and contributions provided for capital purposes	–	(3,040)	(880)	(1,739)

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 24. Financial result and financial position by fund (continued)

\$ '000	Waste 2019	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund				
ASSETS				
Current assets				
Cash and cash equivalents	72	7,947	8,898	6,203
Investments	–	15,526	–	–
Receivables	158	2,330	2,238	2,693
Inventories	–	1,835	–	–
Other	–	171	–	–
Non-current assets classified as 'held for sale'	–	19	–	–
Total current assets	230	27,828	11,136	8,896
Non-current assets				
Receivables	–	60	–	–
Inventories	–	234	–	–
Infrastructure, property, plant and equipment	–	417,997	41,649	53,639
Intangible assets	–	351	–	–
Total non-current assets	–	418,642	41,649	53,639
TOTAL ASSETS	230	446,470	52,785	62,535
LIABILITIES				
Current liabilities				
Payables	–	4,626	287	–
Income received in advance	–	47	264	339
Borrowings	–	42	–	66
Provisions	–	2,994	–	–
Total current liabilities	–	7,709	551	405
Non-current liabilities				
Borrowings	–	1,326	–	2,434
Provisions	–	822	–	–
Total non-current liabilities	–	2,148	–	2,434
TOTAL LIABILITIES	–	9,857	551	2,839
Net assets	230	436,613	52,234	59,696
EQUITY				
Accumulated surplus	230	397,803	51,027	47,328
Revaluation reserves	–	38,810	1,207	12,368
Council equity interest	230	436,613	52,234	59,696
Total equity	230	436,613	52,234	59,696

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25(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}	4,391				
Total continuing operating revenue excluding capital grants and contributions ¹	42,514	10.33%	3.85%	11.58%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	25,323				
Total continuing operating revenue ¹	48,431	52.29%	59.28%	42.58%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions ³	14,550				
Current liabilities less specific purpose liabilities ^{4,5}	7,709	1.89x	1.89x	3.12x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	15,022				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	378	39.74x	39.75x	32.42x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,119				
Rates, annual and extra charges collectible	15,277	7.32%	9.70%	5.04%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	38,646				
Monthly payments from cash flow of operating and financing activities	2,478	15.60 mths	24.57 mths	18.70 mths	>3.00 mths

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

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

(3) Refer Notes 6-8 inclusive. Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

(4) Refer Notes 13 and 14.

(5) Refer Notes 13(b) and 14(b) - excludes all payables and provisions not expected to be paid in the next 12 months, including employee leave entitlements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25(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}	21.78%	(0.30)%	(15.44)%	19.95%	(37.55)%	9.92%	>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	40.43%	47.15%	96.64%	97.59%	94.64%	96.14%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.89x	1.89x	20.21x	36.27x	21.97x	123.82x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	118.37x	75.19x	∞	∞	(1.93)x	9.00x	>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	4.53%	(8.31)%	36.90%	44.44%	11.80%	50.70%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.17 mths	24.19 mths	32.69 mths	∞	22.90 mths	∞	>3.00 mths
Payments from cash flow of operating and financing activities							

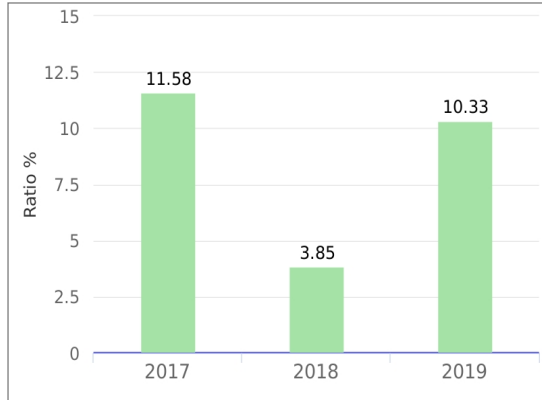
(1) - (2) Refer Note 28a.

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

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

Note 25(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 10.33%

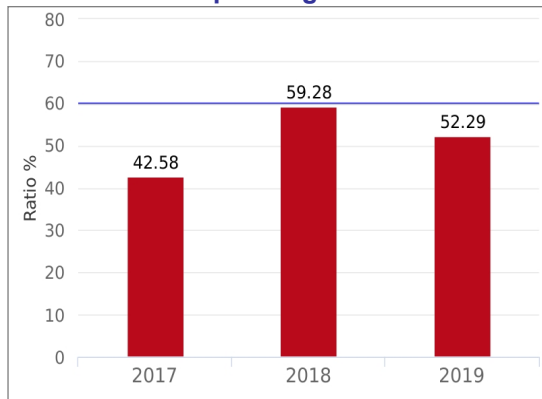
Whilst Council has performed above the benchmark, this is primarily a result of Council receiving \$5.3million of additional funding under the Stronger Communities Program. Further asset management and long term financial planning is currently being undertaken to ensure that Council's operating sustainability is appropriate in the long term.

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 52.29%

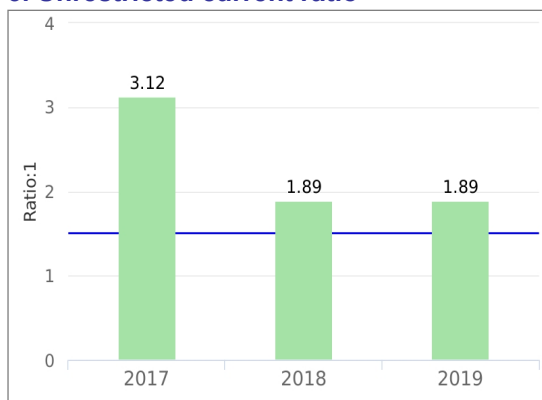
The result for this ratio has been skewed in 2018/19 as a result of receiving the additional \$5.3million of funding under the Stronger Communities Program. Without this unexpected funding this ratio would have met the >60% benchmark.

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 1.89x

Council has maintained its performance above the benchmark.

Benchmark: — > 1.50x

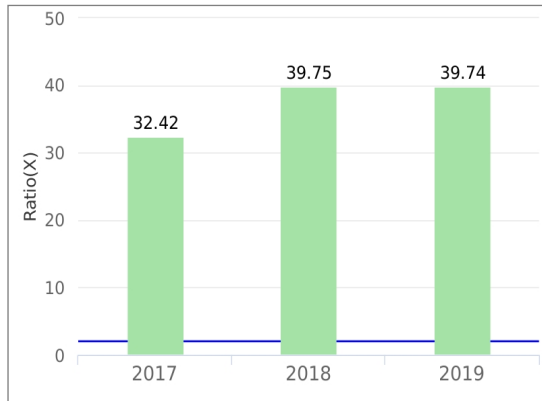
Source of benchmark: Code of Accounting Practice and Financial Reporting #27

- Ratio achieves benchmark
- Ratio is outside benchmark

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

Note 25(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 39.74x

With very low borrowings Council has performed well above the benchmark.

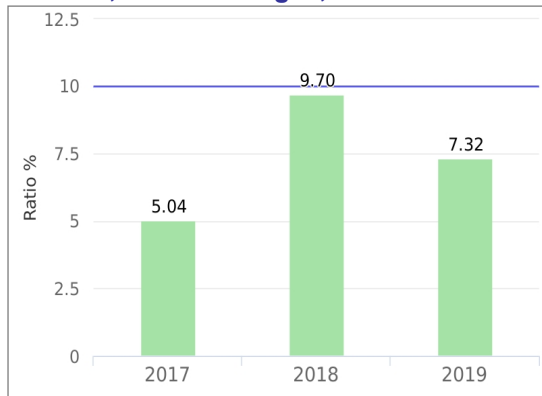
Benchmark: — > 2.00x

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 7.32%

Council has improved this ratio with an improved strategy for the collection of rates and charges.

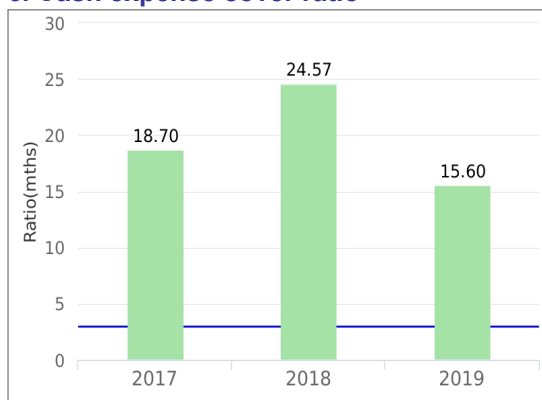
Benchmark: — < 10.00%

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 15.60 mths

With current significant cash holdings, Council has performed above the benchmark. Council's cash holdings are currently greater than would normally be the case as a result of grant funds that have been received and that will be expended on specific projects.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26. Council information and contact details

Principal place of business:

100 Edward Street
COROWA NSW 2648

CONTACT DETAILS**Mailing Address:**

PPO Box 77
COROWA NSW 2646

Telephone: (02) 6033 8999

Facsimile: (02) 6033 3317

Opening hours:

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

Internet: www.federationcouncil.nsw.gov.au

Email: council@federationcouncil.nsw.gov.au

Officers**GENERAL MANAGER**

Adrian Butler

RESPONSIBLE ACCOUNTING OFFICER

Shane Norman

PUBLIC OFFICER

Jo Shannon

AUDITORS

Audit Office of NSW
GPO Box 12
SYDNEY NSW 2001

Elected members**MAYOR**

Patrick Bourke

COUNCILLORS

Shaun Whitechurch
Fred Longmire
Gail Law
Paul Miegel
Andrew Kennedy
Bronwyn Thomas
David Longley
Norm Wales

Other information

ABN: 30 762 048 084



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Federation Council

To the Councillors of the Federation Council

Opinion

I have audited the accompanying financial statements of Federation 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 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo
Delegate of the Auditor-General for New South Wales

29 October 2019
SYDNEY



Cr Patrick Bourke
Mayor
Federation Council
PO Box 77
COROWA NSW 2646

Contact: Michael Kharzoo
Phone no: 02 9275 7188
Our ref: D1925498/1724

29 October 2019

Dear Cr Bourke

Report on the Conduct of the Audit for the year ended 30 June 2019 Federation Council

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

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

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

INCOME STATEMENT

Operating result

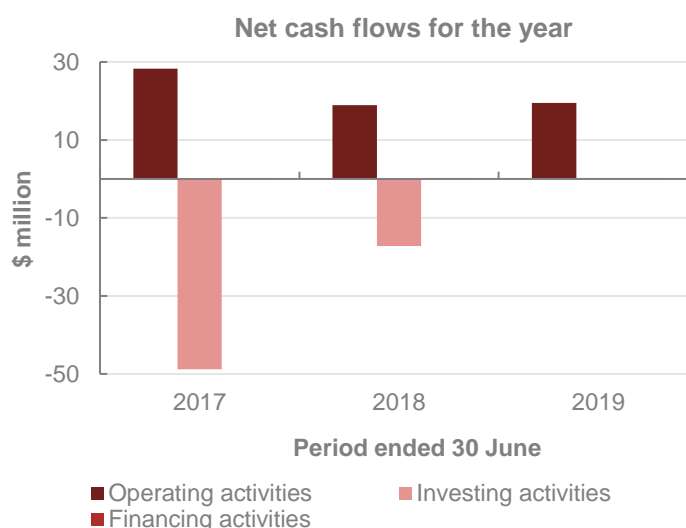
	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	14.1	13.6	↑ 3.7
Grants and contributions revenue	22.8	15.7	↑ 45.2
Operating result for the year	0.3	2.5	↓ 88.0
Net operating result before capital grants and contributions	(5.7)	(1.8)	↓ 217

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

- Rates and annual charges revenue was \$14.1 million (\$13.6 million for the year ended 30 June 2018). The increase of \$0.5 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 \$22.8 million (\$15.7 million for the year ended 30 June 2018). The increase of \$7.1 million (45.2%) was primarily due to the increase of \$6.3 million community projects funding.
- Council's net operating result was a surplus of \$0.3 million (\$2.5 million surplus for the year ended 30 June 2018). The decrease of \$2.2 million was mainly due to a \$3.7 million net loss on disposal of assets, a \$2.9 million increase in revaluation decrements and impairments recognised in the Income Statement and a \$2.0 million increase in employee benefits and on-costs. This is partially offset by the \$7.1 million increase in grants and contributions revenue noted above.
- The net operating result before capital grants and contributions was a deficit of \$5.7 million (\$1.8 million deficit for the year ended 30 June 2018). The decrease of \$3.9 million was mainly due to the \$3.7 million net loss on disposal of assets, a \$2.9 million increase in revaluation decrements and impairments recognised in the Income Statement and a \$2.0 million increase in employee benefits and on-costs noted above. This is partially offset by \$5.3 million of operating grants for community projects.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$23.1 million (\$3.6 million for the year ended 30 June 2018). There was a net increase in cash and cash equivalents of \$19.5 million at 30 June 2019.
- Net cash provided by operating activities has increased by \$0.6 million. This is mainly due to the increase in grants and contributions receipts.
- Net cash used in investing activities increased by \$17.2 million. This is mainly due to the decrease in the purchase of investment securities of \$18.7 million.
- Net cash provided used in financing activities has remained consistent at \$0.1 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	28.6	31.3	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The decrease of \$2.7 million is mainly due to the \$3.4 million decrease in unexpended specific purpose operating grants.
Internal restrictions	9.5	11.4	
Unrestricted	0.5	1.2	
Cash and investments	38.6	43.9	<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 decrease of \$1.9 million in the internal restrictions is primarily due to a \$0.9 million decrease in carry over works, \$0.3 million decrease in buildings and office equipment and \$0.3 million decrease in waste depot restoration. Unrestricted cash and investments was \$0.5 million, which is available to provide liquidity for day-to-day operations of the Council.

Debt

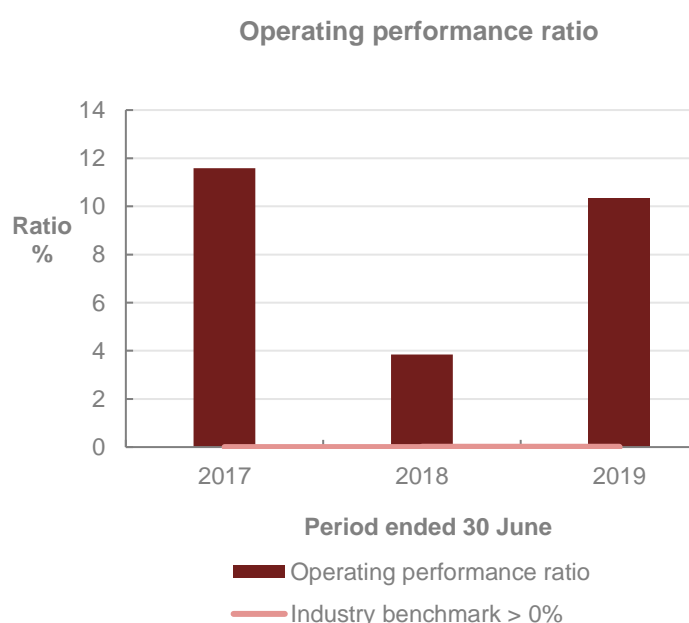
Council has \$3.9 million of external borrowings (2018: \$4.0 million) which is secured over the revenue of Council.

Council has a \$380 thousand bank overdraft facility (2018: \$380 thousand) which was undrawn as at 30 June 2019.

PERFORMANCE

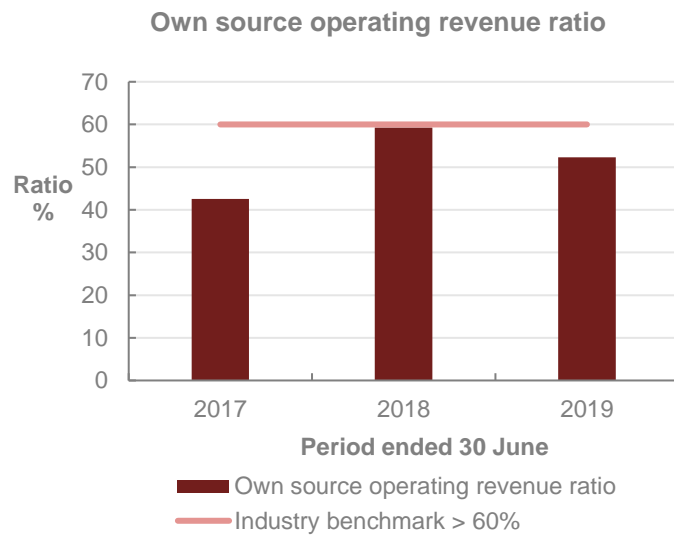
Operating performance ratio

- 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 10.33% is above the industry benchmark of greater than 0%. This indicates the Council can contain operating expenditures within operating revenue.
- The operating performance ratio increased to 10.33% (2018: 3.85%) due to the increase in grants and contributions income provided for operating purposes.



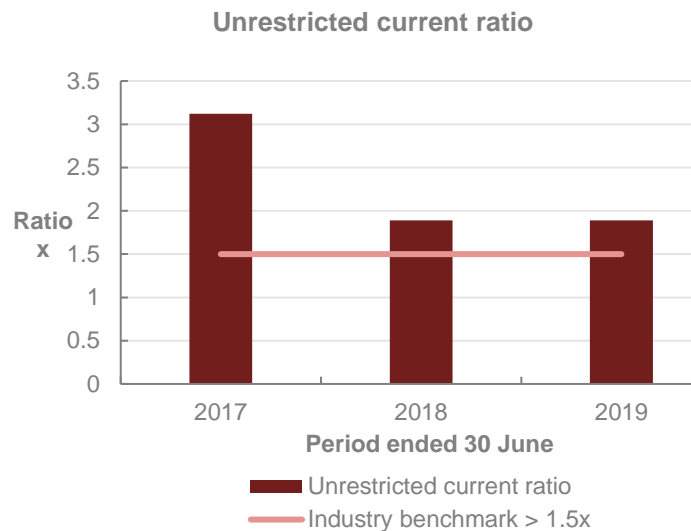
Own source operating revenue ratio

- 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 52.29% is below the industry benchmark of 60%. This indicates that the Council is reliant on external funding sources, such as grants and contributions.
- The operating performance ratio decreased to 52.29% (2018: 59.28%) due to the increase in grants and contributions income provided for operating purposes.



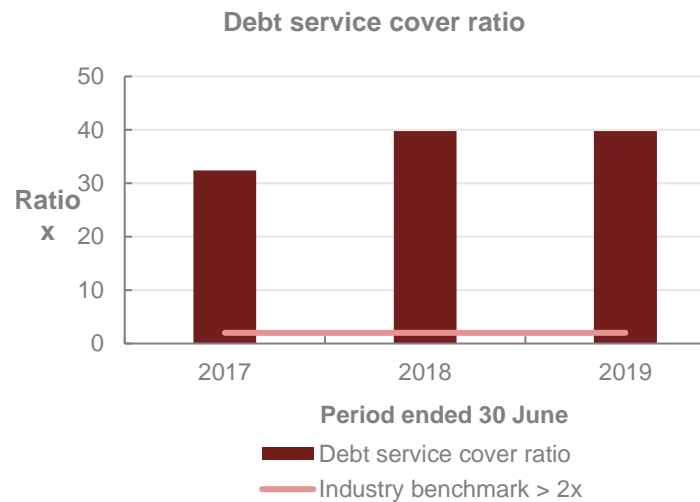
Unrestricted current ratio

- 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 1.89 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 remained consistent from the prior year.



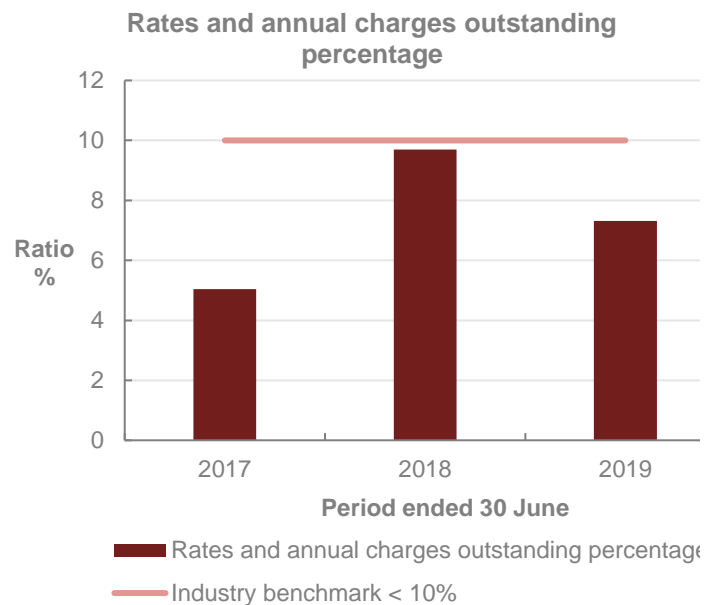
Debt service cover ratio

- 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 39.74 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.
- The Council's debt service cover ratio has remained consistent from the prior year.



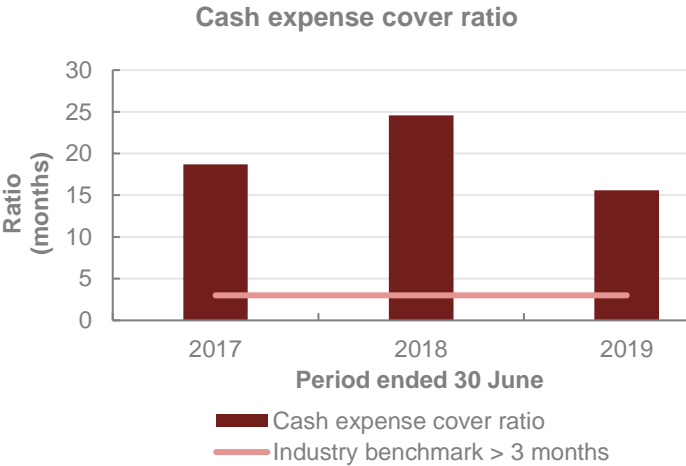
Rates and annual charges outstanding percentage

- 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 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 7.32% is within the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges outstanding percentage of 7.32% has improved from the prior year (2018: 9.70%), 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 3 months.
- The Council’s cash expense cover ratio was 15.6 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 15.6 months of operating cash expenditure without additional cash inflows at 30 June 2019.
- The Council’s cash expense cover ratio of 15.60 months has weakened from the prior year (2018: 24.57 months) due to the decrease of \$5.2 million in cash, cash equivalents and investments.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$23.1 million of assets in the 2018–19 financial year, compared to \$17.0 million of assets in the 2017–18 financial year. The majority of renewals related to roads of \$9.1 million and capital works in progress of \$8.8 million.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 ‘Financial Instruments’ and revised AASB 7 ‘Financial Instruments: Disclosures’	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 ‘Financial Instruments: Recognition and Measurement’ and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> • a simplified model for classifying and measuring financial assets • a new method for calculating impairment • a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council’s disclosure of the impact of adopting AASB 9 is disclosed in Note 14.</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.



Michael Kharzoo
Delegate of the Auditor-General for New South Wales

cc: Mr Adrian Butler, General Manager
Ms Linda MacRae, Audit, Risk and Improvement Committee Chair
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

Federation 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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Background

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

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

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

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

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

Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

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



Patrick Bourke
Mayor
29 October, 2019



Shaun Whitechurch
Councillor
29 October, 2019



Adrian Butler
General Manager
29 October, 2019



Shane Norman
Responsible Accounting Officer
29 October, 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	569	684
User charges	4,400	3,767
Fees	48	49
Interest	284	291
Grants and contributions provided for non-capital purposes	116	65
Other income	284	36
Total income from continuing operations	5,701	4,892
Expenses from continuing operations		
Employee benefits and on-costs	2,039	1,701
Materials and contracts	799	814
Depreciation, amortisation and impairment	2,260	1,086
Loss on sale of assets	1,055	–
Calculated taxation equivalents	65	62
Other expenses	428	315
Total expenses from continuing operations	6,646	3,978
Surplus (deficit) from continuing operations before capital amounts	(945)	914
Grants and contributions provided for capital purposes	11	54
Surplus (deficit) from continuing operations after capital amounts	(934)	968
Surplus (deficit) from all operations before tax	(934)	968
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(251)
SURPLUS (DEFICIT) AFTER TAX	(934)	717
Plus accumulated surplus	51,896	50,866
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	65	62
– Corporate taxation equivalent	–	251
Closing accumulated surplus	51,027	51,896
Return on capital %	(2.3)%	2.0%
Subsidy from Council	1,495	272
Calculation of dividend payable:		
Surplus (deficit) after tax	(934)	717
Less: capital grants and contributions (excluding developer contributions)	(11)	(54)
Surplus for dividend calculation purposes	–	663
Potential dividend calculated from surplus	–	331

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	3,705	3,724
User charges	454	514
Liquid trade waste charges	89	58
Interest	204	194
Grants and contributions provided for non-capital purposes	146	68
Other income	33	18
Total income from continuing operations	4,631	4,576
Expenses from continuing operations		
Employee benefits and on-costs	1,829	1,600
Borrowing costs	188	193
Materials and contracts	1,064	1,007
Depreciation, amortisation and impairment	1,093	1,123
Loss on sale of assets	2,026	–
Calculated taxation equivalents	39	33
Other expenses	170	199
Total expenses from continuing operations	6,409	4,155
Surplus (deficit) from continuing operations before capital amounts	(1,778)	421
Grants and contributions provided for capital purposes	36	113
Surplus (deficit) from continuing operations after capital amounts	(1,742)	534
Surplus (deficit) from all operations before tax	(1,742)	534
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(116)
SURPLUS (DEFICIT) AFTER TAX	(1,742)	418
Plus accumulated surplus	49,029	48,462
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	39	33
– Corporate taxation equivalent	–	116
Closing accumulated surplus	47,326	49,029
Return on capital %	(3.0)%	1.1%
Subsidy from Council	2,298	817
Calculation of dividend payable:		
Surplus (deficit) after tax	(1,742)	418
Less: capital grants and contributions (excluding developer contributions)	(36)	(113)
Surplus for dividend calculation purposes	–	305
Potential dividend calculated from surplus	–	153

Income Statement – Domestic Waste

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
Access charges	1,705	1,887
Interest	13	14
Grants and contributions provided for non-capital purposes	75	76
Total income from continuing operations	1,793	1,977
Expenses from continuing operations		
Employee benefits and on-costs	228	195
Materials and contracts	1,634	1,782
Total expenses from continuing operations	1,862	1,977
Surplus (deficit) from continuing operations before capital amounts	(69)	–
Surplus (deficit) from continuing operations after capital amounts	(69)	–
Surplus (deficit) from all operations before tax	(69)	–
SURPLUS (DEFICIT) AFTER TAX	(69)	–
Plus accumulated surplus	299	299
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	230	299
Subsidy from Council	69	–

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	8,898	264
Investments	–	8,497
Receivables	2,238	1,950
Total current assets	11,136	10,711
Non-current assets		
Infrastructure, property, plant and equipment	41,649	45,083
Total non-current assets	41,649	45,083
TOTAL ASSETS	52,785	55,794
LIABILITIES		
Current liabilities		
Payables	287	288
Income received in advance	264	–
Total current liabilities	551	288
TOTAL LIABILITIES	551	288
NET ASSETS	52,234	55,506
EQUITY		
Accumulated surplus	51,027	51,896
Revaluation reserves	1,207	3,610
TOTAL EQUITY	52,234	55,506

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	6,203	410
Investments	–	4,718
Receivables	2,693	2,888
Total current assets	8,896	8,016
Non-current assets		
Infrastructure, property, plant and equipment	53,639	54,395
Total non-current assets	53,639	54,395
TOTAL ASSETS	62,535	62,411
LIABILITIES		
Current liabilities		
Income received in advance	339	–
Borrowings	66	62
Total current liabilities	405	62
Non-current liabilities		
Borrowings	2,434	2,500
Total non-current liabilities	2,434	2,500
TOTAL LIABILITIES	2,839	2,562
NET ASSETS	59,696	59,849
EQUITY		
Accumulated surplus	47,328	49,030
Revaluation reserves	12,368	10,819
TOTAL EQUITY	59,696	59,849

Statement of Financial Position – Domestic Waste

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	72	132
Receivables	158	167
Total current assets	<u>230</u>	<u>299</u>
TOTAL ASSETS	<u>230</u>	<u>299</u>
NET ASSETS	<u>230</u>	<u>299</u>
EQUITY		
Accumulated surplus	230	299
TOTAL EQUITY	<u>230</u>	<u>299</u>

Federation Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Former Corowa Shire Council Water Supplies

Supply of Water to the towns of Corowa, Howlong and Mulwala

b. Former Corowa and Urana Shire Council Sewerage Services

Service of Sewerage reticulation and treatment system to the towns of Corowa, Howlong, Mulwala, Oaklands & Urana.

Category 2

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

a. Former Corowa Shire Council Domestic Waste Services

Collection of Domestic Waste from the towns of Corowa, Howlong, Mulwala, Balldale, Oaklands & Urana.

Federation Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Monetary amounts

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

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

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.

Federation Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

To the Councillors of the Federation Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Federation Council's (the Council) declared business activities, which comprise the Income Statement of the declared business activities for the year ended 30 June 2019, the Statement of Financial Position of the 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
- Sewerage
- Domestic Waste

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo
Delegate of the Auditor-General for New South Wales

29 October 2019
SYDNEY

Federation 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

\$ '000		2019/20 Former Corowa Shire Council	2019/20 Former Urana Shire Council	2019/20 Federation Council	2018/19 Former Corowa Shire Council	2018/19 Former Urana Shire Council	2018/19 Federation Council
Notional general income calculation ¹							
Last year notional general income yield	a	6,059	1,714	7,773	5,903	1,676	7,579
Plus or minus adjustments ²	b	32	-	32	21	-	21
Notional general income	c = a + b	6,091	1,714	7,805	5,924	1,676	7,600
Permissible income calculation							
Or rate peg percentage	e	2.70%	2.70%		2.30%	2.30%	
Or plus rate peg amount	i = e x (c + g)	164	46	210	136	39	175
Sub-total	k = (c + g + h + i + j)	6,255	1,760	8,015	6,060	1,715	7,775
Plus (or minus) last year's carry forward total	l	1	1	2	-	-	-
Sub-total	n = (l + m)	1	1	2	-	-	-
Total permissible income	o = k + n	6,256	1,761	8,017	6,060	1,715	7,775
Less notional general income yield	p	6,255	1,760	8,015	6,059	1,714	7,773
Catch-up or (excess) result	q = o - p	2	1	3	1	1	2
Carry forward to next year ⁶	t = q + r + s	2	1	3	1	1	2

(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.

(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.

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost			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	2018/19 Required maintenance ^a				1	2	3	4	5
Buildings	Buildings	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Buildings – non-specialised	1,357	638	55	80	17,222	76.2%	11.4%	2.3%	6.8%	3.3%	
	Buildings – specialised	6,739	734	127	145	22,424	20.8%	25.1%	24.9%	26.5%	2.7%	
	Garbage depots	40	15	20	2	368	11.8%	61.8%	13.7%	10.9%	1.7%	
	Councils works depot	452	95	60	92	1,585	14.5%	13.0%	47.8%	19.7%	5.1%	
	Council community halls	7,244	–	110	32	5,990	1.6%	11.4%	12.2%	55.5%	19.3%	
	Health centres	–	–	15	10	705	0.0%	20.7%	79.3%	0.0%	0.0%	
	Museum	724	–	20	3	1,295	0.0%	36.3%	18.4%	45.3%	0.0%	
	Pre schools	449	130	10	9	1,649	4.2%	29.3%	42.3%	24.2%	0.0%	
	Rural fire service building	27	–	3	3	1,515	26.3%	64.5%	7.0%	0.0%	2.3%	
	Saleyards	11	9	30	72	1,886	6.3%	4.9%	88.2%	0.0%	0.6%	
	Other	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	17,043	1,621	450	448	54,639	28.7%	19.8%	20.9%	25.1%	5.5%	
Other structures	Other structures	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Other	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Balldale water supply	399	50	20	17	623	10.8%	0.0%	38.8%	5.1%	45.3%	
	Sub-total	399	50	20	17	623	10.8%	0.0%	38.8%	5.1%	45.3%	
Roads	Sealed roads	4,550	3,250	1,855	1,038	150,124	59.0%	22.0%	15.0%	3.0%	1.0%	
	Unsealed roads	426	410	1,620	1,580	29,648	69.0%	19.0%	10.0%	1.0%	1.0%	
	Bridges	54	44	34	–	15,614	56.0%	38.0%	6.0%	0.0%	0.0%	
	Footpaths	–	–	37	60	8,856	71.0%	28.0%	1.0%	0.0%	0.0%	
	Other road assets	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Bulk earthworks	–	–	–	–	70,409	100.0%	0.0%	0.0%	0.0%	0.0%	
	Other	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Bikepath	–	–	15	12	871	85.0%	15.0%	0.0%	0.0%	0.0%	
	Kerb and gutter	210	30	20	–	13,535	85.0%	11.0%	1.0%	1.0%	2.0%	
	Car parks	148	146	30	5	1,074	84.0%	13.0%	0.0%	1.0%	2.0%	
	Sub-total	5,388	3,880	3,611	2,695	290,131	69.9%	18.0%	9.6%	1.8%	0.7%	
	Water supply network	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Mains	5,712	1,945	355	234	22,566	26.4%	17.1%	32.4%	15.3%	8.9%	
	Reservoirs	675	36	20	22	4,435	1.2%	66.4%	17.0%	14.9%	0.6%	

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Report on Infrastructure Assets - Values (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
Water supply network	Pumping stations	1,231	500	40	7	1,970	4,111	33.5%	2.3%	14.3%	19.0%	30.9%
Water supply network	Treatment plants	3,001	450	140	133	9,111	16,304	20.6%	33.6%	15.1%	21.0%	9.7%
Water supply network	Other	–	–	–	–	–	1,036	0.0%	100.0%	0.0%	0.0%	0.0%
	Sub-total	10,619	2,931	555	396	38,082	68,168	22.4%	26.7%	25.0%	16.6%	9.3%
Sewerage network	Sewerage network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Mains	707	300	148	151	30,142	43,324	15.9%	62.7%	18.7%	0.4%	2.3%
	Pumping stations	693	400	121	246	2,095	3,870	28.6%	18.7%	22.9%	6.1%	23.8%
	Treatment	1,072	600	140	68	15,594	23,395	49.0%	1.2%	42.2%	0.0%	7.6%
	Manholes	1,212	350	15	15	3,587	7,028	9.4%	37.1%	24.8%	16.0%	12.8%
	Sub-total	3,684	1,650	424	480	51,418	77,617	25.9%	39.6%	26.6%	2.0%	5.9%
Stormwater drainage	Stormwater drainage	–	–	168	147	29,108	38,824	44.7%	39.8%	11.2%	3.7%	0.6%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	168	147	29,108	38,824	44.7%	39.8%	11.2%	3.7%	0.6%
Open space / recreational assets	Swimming pools	466	450	76	48	2,942	5,442	14.9%	4.9%	65.9%	14.3%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Boat ramps	65	50	15	5	337	502	37.9%	11.0%	29.7%	8.8%	12.8%
	Playground equipment	47	20	36	24	838	1,075	64.0%	15.9%	12.8%	4.8%	2.5%
	Sub-total	578	520	127	77	4,117	7,019	24.1%	7.0%	55.1%	12.4%	1.4%
Other infrastructure assets	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	100.0%
TOTAL - ALL ASSETS		37,711	10,652	5,355	4,260	468,118	641,768	51.4%	22.9%	15.6%	7.0%	3.1%

(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)

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

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	17,092	111.68%	80.52%	108.51%	>=100.00%
Depreciation, amortisation and impairment	15,304				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	37,711	8.06%	4.55%	5.81%	<2.00%
Net carrying amount of infrastructure assets	468,118				
Asset maintenance ratio					
Actual asset maintenance	4,260	79.55%	72.13%	95.79%	>100.00%
Required asset maintenance	5,355				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	10,652	1.66%	2.70%	3.73%	
Gross replacement cost	641,768				

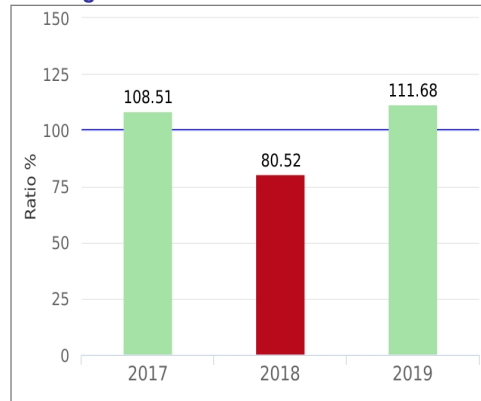
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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



Infrastructure renewals ratio

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

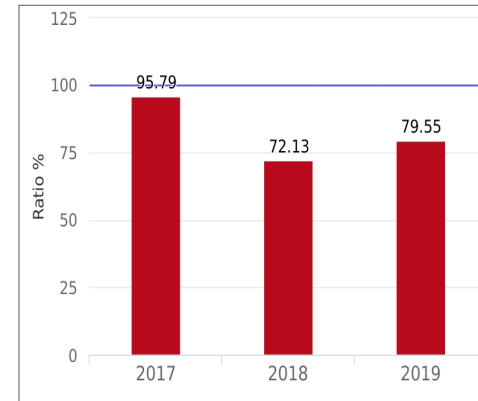
Commentary on result

18/19 ratio 111.68%

With the extra money Council received through the merger Council has been able to put money into renewing some of Council's assets.

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.

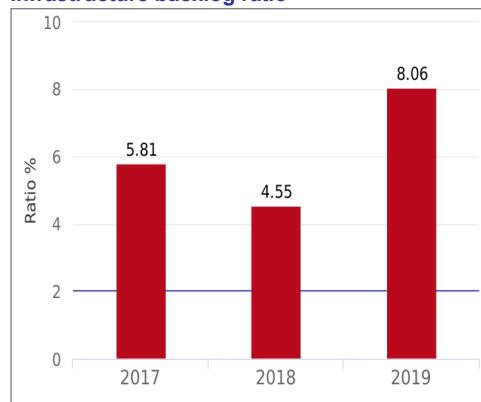
Commentary on result

18/19 ratio 79.55%

Council are in the middle of conducting a review of their Long Term Financial Plan along with their Asset Management Plan. This new information will give Council a better understanding of what maintenance is required for Council's assets.

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

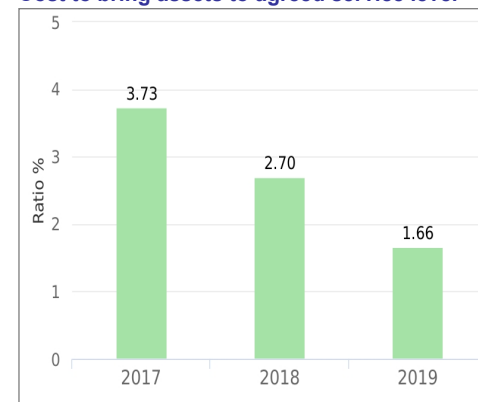
Commentary on result

18/19 ratio 8.06%

This years ratio has been calculated by measuring the cost of moving all of condition rated 4 and 5 assets to a condition 3 rating.

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 1.66%

Council are in the middle of conducting a review of their Long Term Financial Plan along with their Asset Management Plan. This new information will give Council a better understanding of what will be the agreed service required by Council for it's assets.

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	122.74%	97.82%	79.89%	–	51.37%	–	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	6.18%	3.86%	27.88%	10.28%	7.16%	5.04%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	77.33%	64.71%	71.35%	85.05%	113.21%	131.60%	>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	1.22%	2.27%	4.30%	5.19%	2.13%	3.25%	

(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.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Federation Council

To the Councillors of Federation Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo
Delegate of the Auditor-General for New South Wales

29 October 2019
SYDNEY