

Lawrissa Chan
 Director, Financial Audit Services
 Audit Office of New South Wales
 GPO Box 12
 SYDNEY NSW 2001

25 October 2019

Representation Letter Berrigan Shire Council

We provide this Representation Letter in connection with your audit of the financial statements of Berrigan Shire Council (the Council) for the year ended 30 June 2019, so you can express an opinion on whether the general purpose financial statements of the Council give a true and fair view in accordance with:

- the *Local Government Act 1993* (the LG Act)
- the Australian Accounting Standards
- the Local Government Code of Accounting Practice and Financial Reporting (the Code).

This Representation Letter is also provided in connection with your audit of the following engagements:

Engagement	Nature of the Opinion
Special purpose financial statements (SPFS) for Declared Business Activities for the year ended 30 June 2019	Whether the SPFS are prepared in accordance with the Code.
Special Schedule 2 - Permissible income for general rates (the Schedule) for the year ended 30 June 2019	Whether the Schedule has been prepared in accordance with the Code.

We confirm, to the best of our knowledge and belief, having made the enquiries we considered necessary to appropriately inform ourselves, the following representations made to you during your audit.

ACCOUNTING RECORDS AND TRANSACTIONS

We have given you:

- all financial records and related data, other information, explanations and help necessary to conduct the audit
- minutes of all meetings (e.g. Council meetings, Audit, Risk and Improvement Committee or other council and management meetings)

- all legal issues and legal opinions that may be relevant to the general purpose financial statements, special purpose financial statement(s) and the Schedule
- information about all deficiencies in internal control of which we are aware
- additional information you have requested from us for the audit
- unrestricted access to all people in the Council from whom you determined it necessary to obtain audit evidence.

All transactions have been recorded in the accounting records and are reflected in the general/ purpose financial statements, including all 'off-balance sheet' agreements or instruments. We confirm the Schedule is complete, valid and includes only relevant transactions – include wording as appropriate.

COMPLIANCE WITH LEGISLATION AND OTHER REQUIREMENTS

We have no knowledge of any breaches or possible breaches of laws and regulations, contracts, agreements or licensing conditions, the effects of which should be considered when preparing the general/special purpose financial statements and the Schedule.

With respect to our operations during the year, we have complied with all:

- cabinet and other government directives (including Ministerial orders issued under the LG Act)
- Office of Local Government guidelines, circulars and financial reporting requirements
- contractual agreements where non-compliance could materially affect the general/special purpose financial statement and the Schedule.
- directions, regulation and requirements imposed by relevant regulatory bodies.

There has been no communication to/from regulatory authorities or the Office of Local Government concerning:

- breaches of or non-compliance with laws, regulations, licensing conditions or other requirements
- deficiencies in financial reporting practices that could have a material effect on the general/special purpose financial statements and the Schedule.

We have notified you of:

- the existence of all entities approved by the Minister under Section 358 of the LG Act
- the existence of all council entities as defined under Section 415 of the LG Act
- all transactions or arrangements capable of being regarded as 'private sector funded infrastructure', or outsourcings of significant areas of activity
- all Ministerial orders issued under the LG Act.

INTERNAL CONTROLS

We have established and maintained adequate internal control to ensure we:

- prepare reliable general/special purpose financial statements and the Schedule
- maintain adequate financial records
- apply appropriate accounting policies
- record all material transactions in accounting records underlying the general/special purpose financial statements and the Schedule
- minimise the risk of fraud and errors
- detect fraud and errors should they occur
- minimise the risk of significant breaches of legislation and other mandatory requirements and detect breaches if they occur.

We have no known deficiencies in internal controls.

FRAUD AND ERROR

We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud and error.

We have disclosed to you our assessment of the risk the general/special purpose financial statements and the Schedule may be materially misstated because of fraud.

We have disclosed to you our knowledge of any fraud or suspected fraud affecting the Council involving:

- management
- employees who have significant roles in internal control
- others where the fraud could materially affect the general/special purpose financial statements and the Schedule

We have disclosed to you our knowledge of all allegations of fraud or suspected fraud affecting the Council's general/special purpose financial statements and the Schedule communicated to us by employees, former employees, analysts, regulators or others.

The principal officer of the Council has reported any known or suspected fraud to the Independent Commission Against Corruption as required by section 11(2) of the *Independent Commission Against Corruption Act 1988*.

LITIGATION AND CLAIMS

We confirm all known actual or possible litigation and claims that should be considered when preparing the general/special purpose financial statements, and the Schedule, have been disclosed to you. The effects of these events have been accounted for and disclosed in accordance with the applicable financial reporting framework.

We have provided to you all information regarding material outstanding legal matters.

GENERAL PURPOSE FINANCIAL STATEMENTS AND SPECIAL PURPOSE FINANCIAL STATEMENTS FOR DECLARED BUSINESS ACTIVITIES

We acknowledge our responsibility for keeping proper accounts and records and preparing the general purpose and special purpose financial statements (the financial statements).

General Purpose Financial Statements

We approved the general purpose financial statements for the Council on 30 October 2019 and confirm they are free of material misstatements, including omissions.

We believe, in all material respects, the general purpose financial statements present a view that is consistent with our understanding of the Berrigan Shire Council's financial position as at 30 June 2019, and its financial performance for the year then ended.

We have fulfilled our responsibilities, as set out in the Client Service Plan and the [Terms of Engagement](#), for preparing the general purpose financial statements in accordance with Australian Accounting Standards, the LG Act and the Code.

The financial statements are fairly presented in accordance with these requirements. There have been no deficiencies in financial reporting practices and changes to accounting policies, including voluntary changes not arising from the initial adoption of an Accounting Standard or an Office of Local Government mandate, are properly disclosed in the financial statements.

Special Purpose Financial Statement for Declared Business Activities

We approved the special purpose financial statements for Council's Declared Business Activities listed below on 30 October 2019 and confirm they are free of material misstatements.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage

We believe, in all material respects, the special purpose financial statements presents a view that is consistent with our understanding of Council's Declared Business Activities for the year ended 30 June 2019.

We have fulfilled our responsibilities, as set out in the Client Service Plan and the [Terms of Engagement](#), for preparing the Council's special purpose financial statements in accordance with the requirements of the Office of Local Government, the LG Act and the Code.

Classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying values or classification of assets or liabilities.

Impairment of receivables

The impairment of receivables is sufficient to provide for any losses on realisation and we have written off all known bad debts.

Inventories

The Council has no obsolete or excess inventory. Inventory is stated at an amount that does not exceed the lower of cost or net realisable value.

We have no plans to abandon product lines or other plans or intentions that will result in excess or obsolete inventory.

Other current assets

We expect to realise all other current assets for at least the amounts they are stated at in the financial statements.

Non-current assets

The Council has satisfactory title of all assets. There are no liens or encumbrances on assets, nor has any asset been pledged as collateral.

We depreciate physical assets and amortise intangibles on a systematic basis over their useful lives. Useful lives are adjusted for all material items of infrastructure, property, plant and equipment and intangibles such as software, that are or are becoming technically, functionally or commercially obsolete, or have been abandoned or are otherwise unusable.

Depreciation and amortisation rates have been reviewed against estimated asset usage and useful lives. Any adjustment to reflect the most recent assessment of the useful lives has been recognised and disclosed in the financial statements. We have provided you with the basis of all relevant assumptions in depreciation models.

The carrying amount of each physical non-current asset does not materially differ from its fair value at the end of the reporting period. Significant fair value assumptions, including those with high estimation uncertainty, are reasonable.

We have considered the requirements of AASB 136 'Impairment of Assets', when conducting our annual assessment of the impairment of assets, including intangibles and cash generating units (CGUs). We have ensured no asset or CGU's carrying amount exceeds its recoverable amount. We have communicated to you all indicators of impairment and where these exist we have conducted an appropriate impairment assessment of the relevant asset or CGU.

Liabilities

We have recognised all liabilities including those arising under derivative financial instruments in the financial statements.

Provisions, contingent assets and contingent liabilities

We have properly recorded and/or disclosed in the financial statements:

- arrangements involving restrictions on cash balances, compensating balances and line-of-credit or similar arrangements
- agreements or options to repurchase assets previously sold
- material or contingent liabilities or assets including those arising under derivative financial instruments
- our obligations to make good, restore, rehabilitate and reinstate the council's tip and quarry.

Post-employment benefits

All post-employment benefits have been identified and properly accounted for and all events impacting the post-employment benefit plans have been brought to the actuary's attention.

For defined benefit plans:

- the actuarial assumptions underlying the valuation of the plan accord with the Council's best estimate of future events and are consistent with our knowledge of the business
- the actuary's calculations have been based on complete and up-to-date member information
- the amounts included in the financial statements derive from the work of the actuary are in accordance with the requirements of AASB 119 'Employee Benefits'.

Commitments

We have properly recorded and/or disclosed losses arising from the fulfilment of, or inability to fulfil any sale, purchase or lease commitment in the financial statements.

We have disclosed all material commitments for leases, construction or acquisition of property, plant and equipment, and purchases of other non-current assets, such as investments or intangibles, in the financial statements.

Taxation

We have calculated the taxation equivalent charges in the SPFS of Declared Business Activities according to the requirements in the Division of Local Government Guidelines 'Pricing & costing for Council Businesses: A Guide to Competitive Neutrality and the NSW Office of Water 'Best Practice Management of Water Supply and Sewerage Guidelines'.

We have calculated and recognised all other applicable taxes according to relevant tax legislation.

Related Party Transactions

We have appropriately accounted for and disclosed related party relationships and transactions, in accordance with the requirements of Australian Accounting Standards and confirm that:

- material related party transactions and their related balances, including receivables, payables, sales, purchases, loans, transfers, leases, commitments, indemnities and guarantees (written or oral) have been properly recorded and disclosed in the financial statements
- we have identified Council's KMP and, where appropriate, disclosed all compensation paid or payable (including non-monetary compensation) to them for the period.

We have disclosed to you the identity of Council's related parties as defined in AASB 124 'Related Party Disclosures'. These include the Council's key management personnel (KMP) and their related parties, including their close family members and their controlled and jointly controlled entities.

We have disclosed to you the relationships, transactions and balances between KMPs and their related parties and the Council of which we are aware that may be either qualitatively or quantitatively material.

We have made available to you details and records of:

- agreements or transactions between KMP and their related parties and the Council
- equity interests or directorships held by KMP and their related parties in other entities, which are party to any agreements or transactions with Council
- external accounting or legal advice received on these agreements, transactions or interests.

Environmental issues

We have considered whether environmental matters could materially impact the financial statements and conclude we are not aware of:

- any material liabilities or contingencies arising from environmental matters, including those resulting from illegal or possibly illegal acts
- environmental matters that may result in material impairment of assets.

Where we are aware of matters referred to in the points above, we have disclosed all related facts to you.

Uncorrected accounting misstatements

To be provided.

Native title land claims

We are not aware of any native title land claims that may materially impact the financial statements.

Insurance

We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks. We believe, where appropriate, assets and insurable risks are adequately covered by insurance.

Accounting estimates

We confirm the significant assumptions used in making accounting estimates are reasonable and have been disclosed in the financial statements.

We confirm the measurement processes, including related assumptions, used by management to determine accounting estimates in the context of the applicable financial reporting framework are appropriate and have been consistently applied.

We confirm the disclosures related to accounting estimates are complete and appropriate.

Fair value measurements and disclosures

Where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is, in the opinion of the Berrigan Shire Council, the fair value.

We confirm the significant assumptions used in fair value measurements and disclosures are reasonable and appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council.

We confirm the measurement methods, including related assumptions, used by management in determining fair values within the applicable financial reporting framework are appropriate and have been consistently applied. We have considered:

- possible credit value adjustments and debit value adjustments for the credit risk of counterparties
- non-performance risk including, but not limited to the Council's own credit risk
- the impact of embedded derivatives.

We confirm the fair value disclosures in the financial statements are complete and appropriate.

Going concern

We confirm the going concern basis is appropriate for the financial statements.

After balance date events

No events have occurred between the end of the reporting period and the date of this letter that require adjustment to, or disclosure in, the financial statements.

Electronic presentation of the audited financial statements and audit report

With respect to publication of the financial statements on our website, we:

- acknowledge we are responsible for the electronic presentation of the financial statements on our website
- will ensure the electronic version of the audited financial statements and the Independent Auditor's Report on our website are identical to the final signed hard copy of the audited financial statements and the Independent Auditor's Report
- will clearly differentiate between audited and unaudited information in the construction of our website as we understand the risk of potential misrepresentation between unaudited and audited information in the absence of appropriate controls
- have assessed the controls over the security and integrity of the data on our website and adequate procedures are in place to ensure the integrity of the published information
- will ensure that where the Independent Auditor's Report is published on our website, the related financial statements are also published in full.

Impairment of financial assets

We have reviewed all our financial assets for any indicators of impairment.

We have no reason to believe these assets may be impaired at balance date.

Other

We understand your examination of the financial statements was made in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the Council taken as a whole, and your tests of the financial records and other auditing procedures were limited to those you considered necessary for that purpose.

SPECIAL SCHEDULE 2 – Permissible income for general rates

We acknowledge our responsibility for:

- keeping proper accounts and records, and preparing Special Schedule 2 – Permissible income for general rates (the Schedule)
- ensuring the Schedule is prepared in accordance with the Code and in accordance with the books and records of the Council.

We approved the Schedule on 30 October 2019 and confirm it is free of material misstatements.

General

We believe, in all material respects, the Schedule presents a view that is consistent with our understanding of operations for the year ended 30 June 2019.

We have fulfilled our responsibilities, as set out in the Client Service Plan and the [Terms of Engagement](#), for preparing the Schedule in accordance with the Code and in accordance with the books and records of the Council. The Schedule is in all material respects prepared in accordance with these requirements.

There have been no deficiencies in financial reporting practices. All transactions have been recorded in the accounting records. We confirm the Schedule is complete, valid and only includes the transactions required by the Code.

Uncorrected accounting misstatements

There were no monetary misstatements in the Schedule.

After balance date events

No events have occurred between the end of the reporting period and the date of this letter that require adjustment to, or disclosure in, the Schedule.

Other

We understand your examination of the Schedule was made in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the Schedule, and your tests of the financial records and other auditing procedures were limited to those you considered necessary for that purpose.

OTHER

Other Information included in Council's annual report

We have informed you of all documents we expect to issue that may comprise 'Other Information' (financial and non-financial, excluding the financial statements and auditor's report) in our annual report.

We will provide you with Other Information to be included in our annual report when available, so you can perform the procedures required by Australian Auditing Standards before its issue.

Rowan Perkins
General Manager

Carla von Brockhusen
Finance Manager

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Berrigan Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

"Making an even better Berrigan Shire"



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

56 Chanter St
BERRIGAN NSW 2712

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.berriganshire.nsw.gov.au.

Berrigan Shire Council

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides two audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, 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 30 October 2019.

Cr. Matthew Hannan
Mayor
30 October 2019

Cr. Daryll Morris
Deputy Mayor
30 October 2019

Rowan Perkins
General Manager
30 October 2019

Carla von Brockhusen
Responsible Accounting Officer
30 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>				
9,992	Rates and annual charges	3a	10,235	9,962
1,697	User charges and fees	3b	2,571	3,752
731	Interest and investment revenue	3c	772	761
517	Other revenues	3d	1,217	620
6,214	Grants and contributions provided for operating purposes	3e,3f	6,589	7,451
5,776	Grants and contributions provided for capital purposes	3e,3f	3,569	1,760
<u>Other income:</u>				
–	Net gains from the disposal of assets	5	–	478
24,927	Total income from continuing operations		24,953	24,784
Expenses from continuing operations				
8,448	Employee benefits and on-costs	4a	8,581	7,741
45	Borrowing costs	4b	53	59
1,954	Materials and contracts	4c	3,119	2,649
5,981	Depreciation and amortisation	4d	6,081	5,861
2,189	Other expenses	4e	2,353	2,123
–	Net losses from the disposal of assets	5	651	–
18,617	Total expenses from continuing operations		20,838	18,433
6,310	Operating result from continuing operations		4,115	6,351
6,310	Net operating result for the year		4,115	6,351
6,310	Net operating result attributable to council		4,115	6,351
534	Net operating result for the year before grants and contributions provided for capital purposes		546	4,591

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		4,115	6,351
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	6,380	14,795
Impairment (loss) reversal relating to IPP&E	9(a)	(652)	–
Total items which will not be reclassified subsequently to the operating result		5,728	14,795
Total other comprehensive income for the year		5,728	14,795
Total comprehensive income for the year		9,843	21,146
Total comprehensive income attributable to Council		9,843	21,146

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

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

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Statement of Financial Position
as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	7,378	5,967
Investments	6(b)	28,000	26,000
Receivables	7	1,753	2,833
Inventories	8a	289	287
Other	8b	37	65
Total current assets		<u>37,457</u>	<u>35,152</u>
Non-current assets			
Inventories	8a	185	185
Infrastructure, property, plant and equipment	9(a)	247,330	240,156
Total non-current assets		<u>247,515</u>	<u>240,341</u>
TOTAL ASSETS		<u>284,972</u>	<u>275,493</u>
LIABILITIES			
Current liabilities			
Payables	10	837	1,118
Income received in advance	10	235	211
Borrowings	10	161	155
Provisions	11	2,337	2,342
Total current liabilities		<u>3,570</u>	<u>3,826</u>
Non-current liabilities			
Borrowings	10	833	995
Provisions	11	425	371
Total non-current liabilities		<u>1,258</u>	<u>1,366</u>
TOTAL LIABILITIES		<u>4,828</u>	<u>5,192</u>
Net assets		<u>280,144</u>	<u>270,301</u>
EQUITY			
Accumulated surplus	12	118,423	114,308
Revaluation reserves	12	161,721	155,993
Council equity interest		<u>280,144</u>	<u>270,301</u>
Total equity		<u>280,144</u>	<u>270,301</u>

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

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

Statement of Changes in Equity
for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		114,308	155,993	270,301	107,957	141,198	249,155
Net operating result for the year		4,115	–	4,115	6,351	–	6,351
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	6,380	6,380	–	14,795	14,795
– Impairment (loss) reversal relating to IPP&E	9(a)	–	(652)	(652)	–	–	–
Other comprehensive income		–	5,728	5,728	–	14,795	14,795
Total comprehensive income		4,115	5,728	9,843	6,351	14,795	21,146
Equity – balance at end of the reporting period		118,423	161,721	280,144	114,308	155,993	270,301

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

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

Statement of Cash Flows
for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
9,979	Rates and annual charges		9,949	9,765
1,765	User charges and fees		3,254	3,799
729	Investment and interest revenue received		708	677
11,990	Grants and contributions		10,158	9,392
–	Bonds, deposits and retention amounts received		26	26
526	Other		1,988	950
<u>Payments</u>				
(8,448)	Employee benefits and on-costs		(8,584)	(7,875)
(1,980)	Materials and contracts		(3,364)	(3,487)
(45)	Borrowing costs		(53)	(128)
(2,191)	Other		(2,319)	(2,076)
12,325	Net cash provided (or used in) operating activities	13b	11,763	11,043
Cash flows from investing activities				
<u>Receipts</u>				
404	Sale of investment securities		–	–
–	Sale of real estate assets		302	–
255	Sale of infrastructure, property, plant and equipment		282	722
<u>Payments</u>				
(524)	Purchase of investment securities		(2,000)	(3,000)
(13,706)	Purchase of infrastructure, property, plant and equipment		(8,542)	(8,288)
–	Purchase of real estate assets		(238)	(93)
(13,571)	Net cash provided (or used in) investing activities		(10,196)	(10,659)
Cash flows from financing activities				
<u>Payments</u>				
(155)	Repayment of borrowings and advances		(156)	(147)
(155)	Net cash flow provided (used in) financing activities		(156)	(147)
(1,401)	Net increase/(decrease) in cash and cash equivalents		1,411	237
1,483	Plus: cash and cash equivalents – beginning of year	13a	5,967	5,730
82	Cash and cash equivalents – end of the year	13a	7,378	5,967
Additional Information:				
21,043	plus: Investments on hand – end of year	6(b)	28,000	26,000
21,125	Total cash, cash equivalents and investments		35,378	31,967

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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Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 30 October 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 17 – 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 below in significant judgement applying to Councils' accounting policies.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- estimated tip remediation provisions – refer Note 11
- employee benefit provisions – refer Note 11

Significant judgements in applying the council's accounting policies

- Impairment of receivables

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

Council monitors its receivables closely and currently considered all of them recoverable (except as outlined below), with debt collection processes ongoing where necessary. Action to sell a property for recovery of rates in arrears is ongoing.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

Council currently considers it holds no such trust funds.

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

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

AASB 16 Leases

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

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

The impact of AASB15 is expected to be minimal.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions. Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

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

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

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

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

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

The specific impacts of AASB1058 for Council are expected to be immaterial.

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

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

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

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

The specific impacts of AASB2018-8 for Council are expected to be immaterial.

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										
Sustainable and Natural Built Landscapes	9,713	10,875	10,024	10,880	(311)	(5)	1,554	3,697	180,214	175,502
Good Government	10,537	9,139	2,509	860	8,028	8,279	415	3,315	29,145	25,219
Supported and Engaged communities	4,109	4,641	7,146	6,080	(3,037)	(1,439)	5,617	604	70,871	70,032
Diverse and resilient business	594	129	1,159	613	(565)	(484)	484	5	4,740	4,740
Other	–	–	–	–	–	–	–	(229)	2	–
Total functions and activities	24,953	24,784	20,838	18,433	4,115	6,351	8,070	7,392	284,972	275,493

Notes to the Financial Statements

for the year ended 30 June 2019

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

Sustainable and Natural Built Landscapes

Development decisions made today about how we move around and between our communities and use our natural resources - the River, wildlife, forests, agricultural and urban land, and water shape the future of our communities. Council's Delivery Program and strategic objectives are:

- 1.1 Support sustainable use of natural resources and built landscapes
- 1.2 Retain the diversity and preserve the health of our natural landscapes and wildlife
- 1.3 Connect and protect our communities

Sustainable and natural built landscapes include the council functions of Housing, Environment, Sewerage Services, Mining, Manufacture and Construction, and Transport and Communication.

Good Government

Good government is about making good decisions over time. These decisions involve managing our financial, economic, and environmental risks and the social implications of decisions made. Council's good government Delivery Program and strategic objectives are:

- 2.1 Berrigan Shire 2027 objectives and strategic actions facilitate the effective governance by Council of Council operations and reporting
 - 2.2 Strengthen strategic relationships and partnerships with community, business and government
- Good Government includes the council functions of Administration and Governance.

Supported and Engaged communities

Safe, healthy, accessible and inclusive communities are child and older person friendly. Lifelong learning, cultural expression, services for older residents and recreational activities provide opportunities for people with a diverse range of interests to become involved and engaged in their local communities. Council's Supported and engaged communities Delivery Program and strategic objectives are:

- 3.1 Create safe, friendly and accessible communities
 - 3.2 Support community engagement through life-long learning, culture and recreation
- Supported and engaged communities includes the council functions of Public Order and Safety, Health, Community Amenities, Community Services and Education, Water Supplies and Recreation and Culture.

Diverse and resilient business

Our lifestyle, climate, existing facilities and proximity to Melbourne present a range of agricultural, tourism, retail and health industry opportunities. Council's Delivery Program and diverse and resilient business strategic objectives include:

- 4.1 Strengthen and diversify the local economy and invest in local job creation and innovation
- 4.2 Diversify and promote local tourism
- 4.3 Connect local, regional and national road and rail infrastructure and networks

Diverse and resilient business include the council functions of Economic Affairs.

Berrigan Shire Council

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	2,750	2,672
Farmland	1,882	1,838
Business	525	512
Less: pensioner rebates (mandatory)	(170)	(179)
Rates levied to ratepayers	4,987	4,843
Pensioner rate subsidies received	95	99
Total ordinary rates	5,082	4,942
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	1,015	922
Stormwater management services	73	73
Water supply services	2,029	2,041
Sewerage services	2,057	2,012
Waste management services (non-domestic)	82	78
Less: pensioner rebates (mandatory)	(234)	(236)
Annual charges levied	5,022	4,890
Pensioner subsidies received:		
– Water	46	46
– Sewerage	44	45
– Domestic waste management	41	39
Total annual charges	5,153	5,020
TOTAL RATES AND ANNUAL CHARGES	10,235	9,962

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

Accounting policy for rates and charges

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

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

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

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

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

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Domestic waste management services	170	166
Water supply services	1,268	1,075
Sewerage services	51	43
Waste management services (non-domestic)	336	1,785
Total specific user charges	1,825	3,069
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	216	189
Private works – section 67	51	60
Section 10.7 certificates (EP&A Act)	19	26
Section 603 certificates	25	26
Total fees and charges – statutory/regulatory	311	301
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	21	17
Cemeteries	134	86
Leaseback fees – Council vehicles	57	56
Library	3	4
Swimming centres	84	97
Food control fees	–	4
Sewerage	11	12
Water supply	82	64
Other	43	42
Total fees and charges – other	435	382
TOTAL USER CHARGES AND FEES	2,571	3,752

Accounting policy for user charges and fees

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	33	29
– Cash and investments	739	730
– Deferred debtors	–	2
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>772</u>	<u>761</u>

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

Overdue rates and annual charges (general fund)	33	29
General Council cash and investments	394	357

Restricted investments/funds – external:

Water fund operations	193	187
Sewerage fund operations	152	188

Total interest and investment revenue

	<u>772</u>	<u>761</u>
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Accounting policy for interest and investment revenue

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

(d) Other revenues

Rental income – other council properties	75	70
Fines	3	2
Legal fees recovery – rates and charges (extra charges)	29	23
Commissions and agency fees	37	5
Diesel rebate	67	68
Recycling income (non-domestic)	4	–
Sales – general	5	–
Insurance rebate	12	29
Sale of gravel	43	63
Sale of high security water	778	248
Sale of scrap metal	–	31
Other	98	51
Workers compensation recovery	66	30
<u>TOTAL OTHER REVENUE</u>	<u>1,217</u>	<u>620</u>

Accounting policy for other revenue

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

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

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

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

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

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,690	1,578	–	–
Financial assistance – local roads component	700	676	–	–
Payment in advance - future year allocation				
Financial assistance – general component	1,752	1,620	–	–
Financial assistance – local roads component	726	691	–	–
Total general purpose	4,868	4,565	–	–
Specific purpose				
Sewerage services	–	–	18	329
Bushfire and emergency services	59	65	–	–
Community care	16	3	–	–
Economic development	–	5	(14)	50
Environmental programs	–	–	–	62
Heritage and cultural	–	5	–	–
Library	14	2	83	283
Library – per capita	32	32	–	–
Library – special projects	7	8	–	–
LIRS subsidy	33	38	–	–
Noxious weeds	–	40	–	–
Public halls	–	–	–	2
Recreation and culture	–	–	1,613	161
Street lighting	50	49	–	–
Transport (Roads to Recovery)	416	1,222	–	–
Transport (other roads and bridges funding)	6	374	804	62
ESPL implementation funds	–	18	–	–
NSW Recycling Relief	(1)	17	–	–
Other	66	–	–	–
Total specific purpose	698	1,878	2,504	949
Total grants	5,566	6,443	2,504	949
Grant revenue is attributable to:				
– Commonwealth funding	3,858	4,565	(14)	–
– State funding	1,629	1,878	2,253	949
– Other funding	79	–	265	–
	5,566	6,443	2,504	949

Berrigan Shire Council

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		–	–	28	21
S 64 – water supply contributions		–	–	176	58
S 64 – sewerage service contributions		–	–	2	3
Other developer contributions (assets)		–	–	68	18
Total developer contributions – cash		–	–	274	100
Total developer contributions	21	–	–	274	100
Other contributions:					
Cash contributions					
Kerb and gutter		–	5	114	28
Paving		–	–	53	22
Recreation and culture		–	–	90	–
RMS contributions (regional roads, block grant)		1,019	998	325	613
Other		4	5	–	–
Parks and gardens		–	–	200	–
Total other contributions – cash		1,023	1,008	782	663
Non-cash contributions					
Recreation and culture		–	–	9	48
Total other contributions – non-cash		–	–	9	48
Total other contributions		1,023	1,008	791	711
Total contributions		1,023	1,008	1,065	811
TOTAL GRANTS AND CONTRIBUTIONS		6,589	7,451	3,569	1,760

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '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	5	1,082
Add: operating grants recognised in the current period but not yet spent	–	5
Add: operating grants received for the provision of goods and services in a future period	68	–
Less: operating grants recognised in a previous reporting period now spent	(5)	(1,082)
Unexpended and held as restricted assets (operating grants)	68	5
Capital grants		
Unexpended at the close of the previous reporting period	505	–
Add: capital grants recognised in the current period but not yet spent	254	505
Less: capital grants recognised in a previous reporting period now spent	(505)	–
Unexpended and held as restricted assets (capital grants)	254	505
Contributions		
Unexpended at the close of the previous reporting period	255	–
Add: contributions recognised in the current period but not yet spent	201	255
Unexpended and held as restricted assets (contributions)	456	255

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	6,264	6,313
Travel expenses	229	206
Employee leave entitlements (ELE)	1,250	1,091
ELE on-costs	170	221
Superannuation – defined contribution plans	511	463
Superannuation – defined benefit plans	147	178
Workers' compensation insurance	179	146
Fringe benefit tax (FBT)	34	32
Training costs (other than salaries and wages)	257	215
Protective clothing	30	37
Other	47	26
Total employee costs	9,118	8,928
Less: capitalised costs	(537)	(1,187)
TOTAL EMPLOYEE COSTS EXPENSED	8,581	7,741
Number of 'full-time equivalent' employees (FTE) at year end	94	90

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		46	53
Total interest bearing liability costs expensed		46	53
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	11	7	6
Total other borrowing costs		7	6
TOTAL BORROWING COSTS EXPENSED		53	59

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	2,525	2,110
Contractor and consultancy costs	5	5
– Domestic waste and recycling collection contract	494	453
Auditors remuneration ¹	40	39
Legal expenses:		
– Legal expenses: planning and development	10	11
– Legal expenses: debt recovery	45	31
Total materials and contracts	<u>3,119</u>	<u>2,649</u>
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>3,119</u>	<u>2,649</u>
1. Auditor remuneration		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	–	39
Remuneration for audit and other assurance services	<u>–</u>	<u>39</u>
Total Auditor-General remuneration	<u>–</u>	<u>39</u>
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	40	–
Remuneration for audit and other assurance services	<u>40</u>	<u>–</u>
Total remuneration of non NSW Auditor-General audit firms	<u>40</u>	<u>–</u>
Total Auditor remuneration	<u>40</u>	<u>39</u>

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		818	767
Office equipment		31	45
Land improvements (depreciable)		46	30
Infrastructure:			
– Buildings – non-specialised		9	10
– Buildings – specialised		572	575
– Roads		2,538	2,551
– Bridges		107	107
– Footpaths		70	68
– Stormwater drainage		240	235
– Water supply network		669	615
– Sewerage network		588	548
– Swimming pools		64	61
– Other open space/recreational assets		158	113
Other assets:			
– Heritage collections		1	1
– Library books		26	39
– Other		129	86
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9(a),11	12	6
– Quarry assets	9(a),11	3	4
Total gross depreciation and amortisation costs		6,081	5,861
Total depreciation and amortisation costs		6,081	5,861
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
– Buildings – specialised		652	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		652	–
Amounts taken through revaluation reserve		(652)	–
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	–
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		6,081	5,861

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

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

Impairment of non-financial assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

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

\$ '000	2019	2018
(e) Other expenses		
Advertising	89	83
Bad and doubtful debts	7	–
Bank charges	74	36
Cleaning	5	5
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	105	13
– NSW fire brigade levy	11	48
– NSW rural fire service levy	46	111
– Other contributions/levies – Kurrajong Therapy Plus	–	59
– Other contributions/levies	21	–
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	94	90
Councillors' expenses (incl. mayor) – other (excluding fees above)	82	86
Donations, contributions and assistance to other organisations (Section 356)		
– Central Murray County Council	130	126
– Heritage and cultural programs	12	23
– Public halls and community facilities	22	24
– Riverina and Murray Regional Organisation of Councils	27	15
– Sporting grounds	65	65
– Swimming pools	98	98
– Tourism and area promotion	44	71
– Other	7	3
Election expenses	45	2
Electricity and heating	324	351
Insurance	346	322
Street lighting	207	193
Subscriptions and publications	71	40
Telephone and communications	61	60
Valuation fees	78	–
Other	256	174
Total other expenses	2,353	2,123
TOTAL OTHER EXPENSES	2,353	2,123

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		160	260
Less: carrying amount of property assets sold/written off		(42)	(111)
Net gain/(loss) on disposal		118	149
Plant and equipment			
	9(a)		
Proceeds from disposal – plant and equipment		122	462
Less: carrying amount of plant and equipment assets sold/written off		(4)	(123)
Net gain/(loss) on disposal		118	339
Infrastructure			
	9(a)		
Less: carrying amount of infrastructure written off		(969)	(7)
Net gain/(loss) on disposal		(969)	(7)
Real estate assets held for sale			
	8		
Proceeds from disposal – real estate assets		302	–
Less: carrying amount of real estate assets sold/written off		(220)	–
Net gain/(loss) on disposal		82	–
Remediation assets			
Less: carrying amount of Remediation assets sold/written off		–	(3)
Net gain/(loss) on disposal		–	(3)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(651)	478

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.

Berrigan Shire Council

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	7,378	5,967
Total cash and cash equivalents	<u>7,378</u>	<u>5,967</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' (2018)	28,000	–	26,000	–
Total Investments	<u>28,000</u>	<u>–</u>	<u>26,000</u>	<u>–</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>35,378</u>	<u>–</u>	<u>31,967</u>	<u>–</u>
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	28,000	–	26,000	–
Total	<u>28,000</u>	<u>–</u>	<u>26,000</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
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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

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

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

Fair value through other comprehensive income – equity instruments

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

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

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

Financial assets through profit or loss

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

Recognition and de-recognition

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

Impairment of financial assets

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

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

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	35,378	–	31,967	–
attributable to:				
External restrictions	21,353	–	19,247	–
Internal restrictions	5,786	–	4,627	–
Unrestricted	8,239	–	8,093	–
	35,378	–	31,967	–

\$ '000	2019	2018
Details of restrictions		
External restrictions – other		
Developer contributions – general	456	255
Specific purpose unexpended grants	322	510
Water supplies	10,135	8,462
Sewerage services	6,516	5,913
Domestic waste management	3,924	4,107
External restrictions – other	21,353	19,247
Total external restrictions	21,353	19,247
Internal restrictions		
Plant and vehicle replacement	1,695	1,087
Employees leave entitlement	389	389
Aerodrome	282	215
Capital works reserve	2,168	1,848
Finley saleyard	80	99
Information technology	450	400
Levee bank construction	321	270
Risk management	317	267
Tourism events	84	52
Total internal restrictions	5,786	4,627
TOTAL RESTRICTIONS	27,139	23,874

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	621	–	335	–
User charges and fees	588	–	1,247	–
Accrued revenues				
– Interest on investments	341	–	277	–
– Other income accruals	160	–	959	–
Net GST receivable	43	–	15	–
Total	1,753	–	2,833	–
TOTAL NET RECEIVABLES	1,753	–	2,833	–

Externally restricted receivables**Water supply**

– Rates and availability charges	210	–	233	–
– Other	–	–	14	–

Sewerage services

– Rates and availability charges	109	–	90	–
– Other	–	–	89	–

Total external restrictions

	319	–	426	–
Unrestricted receivables	1,434	–	2,407	–
TOTAL NET RECEIVABLES	1,753	–	2,833	–

Accounting policy for receivables**Recognition and measurement**

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.

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

Impairment

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 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 120 days overdue) are considered indicators that the receivable is impaired.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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.

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 7 years past due, whichever occurs first.

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

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

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	111	185	93	185
Stores and materials	178	–	194	–
Total inventories at cost	289	185	287	185
<u>TOTAL INVENTORIES</u>	<u>289</u>	<u>185</u>	<u>287</u>	<u>185</u>

(b) Other assets

Prepayments	37	–	65	–
<u>TOTAL OTHER ASSETS</u>	<u>37</u>	<u>–</u>	<u>65</u>	<u>–</u>

Externally restricted assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Water				
Stores and materials	63	–	68	–
Total water	63	–	68	–
Sewerage				
Stores and materials	4	–	3	–
Total sewerage	4	–	3	–

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	67	–	71	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	259	185	281	185
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>326</u>	<u>185</u>	<u>352</u>	<u>185</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		111	185	–	12
Industrial/commercial		–	–	93	173
Total real estate for resale		111	185	93	185

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

Represented by:

Acquisition costs		111	185	–	185
Development costs		–	–	93	–
Total costs		111	185	93	185
Total real estate for resale		111	185	93	185

Movements:

Real estate assets at beginning of the year		93	185	–	185
– Purchases and other costs		238	–	93	–
– WDV of sales (expense)	5	(220)	–	–	–
Total real estate for resale		111	185	93	185

Accounting policy for inventories and other assets**Raw materials and stores**

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Berrigan Shire Council

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

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

S '000	as at 30/6/2018			Asset movements during the reporting period										as at 30/6/2019			
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss	Impairment loss	WIP transfers	Gross Carrying amount of assets written off	Accumulated Depreciation of assets written off	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
								/ revaluation decrements (recognised in P/L)	(recognised in equity)								
Capital work in progress	1,183	–	1,183	–	–	–	–	–	–	2,325	–	–	–	–	3,508	–	3,508
Plant and equipment	7,492	(4,331)	3,161	691	–	(85)	(818)	–	–	62	(220)	220	–	–	7,940	(4,929)	3,011
Office equipment	1,029	(904)	125	6	–	(4)	(31)	–	–	–	(341)	341	–	–	690	(594)	96
Land:																	
– Operational land	9,299	–	9,299	122	–	(153)	–	–	–	–	–	–	–	8	9,276	–	9,276
– Community land	270	–	270	–	–	–	–	–	–	–	–	–	–	1	271	–	271
– Land under roads (post 30/6/08)	234	–	234	–	–	–	–	–	–	–	–	–	–	–	234	–	234
Land improvements – depreciable	765	(193)	572	131	162	–	(46)	–	–	–	–	–	–	–	1,058	(239)	819
Infrastructure:																	
– Buildings – non-specialised	680	(43)	637	–	–	–	(9)	–	–	–	(41)	41	–	–	639	(11)	628
– Buildings – specialised	41,704	(11,392)	30,312	482	–	–	(572)	(652)	–	(417)	674	(674)	(25)	–	41,766	(12,638)	29,128
– Roads	157,312	(44,402)	112,910	4,015	–	(893)	(2,538)	–	–	(1,641)	(3,644)	3,644	–	1,248	156,397	(43,296)	113,101
– Bridges	7,969	(4,453)	3,516	8	–	–	(107)	–	–	–	8	(8)	–	2	7,987	(4,568)	3,419
– Footpaths	4,518	(1,179)	3,339	–	102	(4)	(70)	–	–	32	(10)	10	(15)	–	4,623	(1,239)	3,384
– Bulk earthworks (non-depreciable)	3,259	–	3,259	29	–	–	–	–	–	20	–	–	–	–	3,308	–	3,308
– Stormwater drainage	21,863	(4,631)	17,232	–	509	(23)	(240)	–	–	2	16	(16)	–	808	23,175	(4,887)	18,288
– Water supply network	47,638	(21,428)	26,210	207	–	(45)	(669)	–	–	71	(809)	809	–	1,545	48,607	(21,288)	27,319
– Sewerage network	41,215	(22,170)	19,045	16	–	(4)	(588)	–	–	–	1,070	(1,070)	–	2,700	44,997	(23,828)	21,169
– Swimming pools	2,952	(1,348)	1,604	–	–	–	(64)	–	–	–	–	–	–	–	2,952	(1,412)	1,540
– Other open space/recreational assets	8,189	(4,221)	3,968	730	1,222	–	(158)	–	–	(360)	(14)	14	–	–	9,767	(4,365)	5,402
– Other infrastructure	–	–	–	–	–	–	–	652	(652)	–	–	–	–	–	–	–	–
Other assets:																	
– Heritage collections	70	(2)	68	–	–	–	(1)	–	–	–	–	–	–	–	70	(3)	67
– Library books	931	(734)	197	18	–	(31)	(26)	–	–	–	(644)	644	–	–	274	(116)	158
– Other	8,596	(5,857)	2,739	61	157	–	(129)	–	–	7	17	(17)	–	–	8,838	(6,003)	2,835
Reinstatement, rehabilitation and restoration assets (refer Note 11):																	
– Tip assets	324	(68)	256	101	–	–	(12)	–	–	(101)	–	–	–	109	433	(80)	353
– Quarry assets	47	(27)	20	–	–	–	(3)	–	–	–	–	–	(1)	–	46	(30)	16
Total Infrastructure, property, plant and equipment	367,539	(127,383)	240,156	6,617	2,152	(1,242)	(6,081)	–	(652)	–	(3,938)	3,938	(41)	6,421	376,856	(129,526)	247,330

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARF)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	2,317	–	2,317	1,477	840	–	–	(3,451)	–	–	–	1,183	–	1,183
Plant and equipment	7,214	(4,751)	2,463	1,660	–	(123)	(767)	(72)	–	–	–	7,492	(4,331)	3,161
Office equipment	989	(859)	130	40	–	–	(45)	–	–	–	–	1,029	(904)	125
Land:														
– Operational land	6,869	–	6,869	125	–	(111)	–	–	(120)	(156)	2,692	9,299	–	9,299
– Community land	320	–	320	–	–	–	–	–	–	(50)	–	270	–	270
– Land under roads (post 30/6/08)	30	–	30	–	–	–	–	–	142	–	62	234	–	234
Land improvements – depreciable	663	(163)	500	–	–	–	(30)	–	28	–	74	765	(193)	572
Infrastructure:														
– Buildings – non-specialised	774	(261)	513	–	–	–	(10)	–	–	(1,354)	134	680	(43)	637
– Buildings – specialised	37,205	(19,765)	17,440	24	282	–	(575)	10	–	(2)	13,131	41,704	(11,392)	30,312
– Roads	153,426	(42,071)	111,355	1,965	–	(7)	(2,551)	3,668	(166)	–	–	157,312	(44,402)	112,910
– Bridges	7,975	(4,354)	3,621	4	–	–	(107)	–	–	–	–	7,969	(4,453)	3,516
– Footpaths	4,323	(1,111)	3,212	15	–	–	(68)	–	166	(831)	14	4,518	(1,179)	3,339
– Bulk earthworks (non-depreciable)	2,976	–	2,976	283	–	–	–	–	–	(962)	–	3,259	–	3,259
– Stormwater drainage	22,431	(4,430)	18,001	8	339	–	(235)	–	(50)	–	–	21,863	(4,631)	17,232
– Water supply network	46,750	(18,973)	27,777	264	–	–	(615)	(254)	–	–	–	47,638	(21,428)	26,210
– Sewerage network	42,522	(25,187)	17,335	56	–	–	(548)	237	–	–	1,965	41,215	(22,170)	19,045
– Swimming pools	2,901	(1,287)	1,614	51	–	–	(61)	–	–	–	–	2,952	(1,348)	1,604
– Other open space/recreational assets	7,625	(4,108)	3,517	599	–	–	(113)	(35)	–	–	–	8,189	(4,221)	3,968
Other assets:														
– Heritage collections	70	(1)	69	–	–	–	(1)	–	–	–	–	70	(2)	68
– Library books	905	(695)	210	26	–	–	(39)	–	–	–	–	931	(734)	197
– Other	8,437	(5,787)	2,650	278	–	–	(86)	(103)	–	–	–	8,596	(5,857)	2,739
Reinstatement, rehabilitation and restoration assets (refer Note 14):														
– Tip assets	246	(62)	184	–	–	–	(6)	–	–	–	78	324	(68)	256
– Quarry assets	50	(23)	27	–	–	(3)	(4)	–	–	–	–	47	(27)	20
Total Infrastructure, property, plant and equipment	357,018	(133,888)	223,130	6,875	1,461	(244)	(5,861)	–	–	(3,355)	18,150	367,539	(127,383)	240,156

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
		Stormwater assets	
Water and sewer assets		Drains	80 to 100
Dams and reservoirs	80 to 100	Culverts	50 to 80
Bores	20 to 40	Flood control structures	80 to 100
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	20
Sealed roads: surface	20	Swimming pools	50
Sealed roads: structure	50	Unsealed roads	20
Unsealed roads	20	Other open space/recreational assets	20
Bridge: concrete	100	Other infrastructure	20
Bridge: other	50	Library books	10
Road pavements	60		
Kerb, gutter and footpaths	40		

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

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

Land under roads

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Crown reserves

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

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

Rural Fire Service assets

Under section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all fire fighting 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 fire fighting equipment has been purchased or constructed".

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including plant and vehicles. Land and buildings are recognised.

Note 9(b). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2019	2018
Impairment losses recognised direct to equity (ARR):			
Memorial Park Public Toilets - Fire Damage		75	–
Berrigan War Memorial Pool Amenities Building - to be demolished and replaced		151	–
Tocumwal Foreshore Building - to be demolished and replaced		418	–
Tocumwal Tip Lunchroom - Fire Damaged		8	–
Total impairment losses		652	–
<u>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</u>		<u>652</u>	<u>–</u>

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

Note 10. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	458	–	719	–
Accrued expenses:				
– Salaries and wages	292	–	337	–
– Other expenditure accruals	1	–	2	–
Security bonds, deposits and retentions	86	–	60	–
Total payables	837	–	1,118	–
Income received in advance				
Payments received in advance	235	–	211	–
Total income received in advance	235	–	211	–
Borrowings				
Loans – secured ¹	161	833	155	995
Total borrowings	161	833	155	995
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>1,233</u>	<u>833</u>	<u>1,484</u>	<u>995</u>

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

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	16	–	15	–
Payables and borrowings relating to externally restricted assets	16	–	15	–
Total payables and borrowings relating to restricted assets	16	–	15	–
Total payables and borrowings relating to unrestricted assets	1,217	833	1,469	995
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>1,233</u>	<u>833</u>	<u>1,484</u>	<u>995</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018		Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2019	
	Opening Balance	Cash flows				Closing balance	
Loans – secured	1,150	(156)	–	–	–	994	
TOTAL	1,150	(156)	–	–	–	994	

\$ '000	as at 30/6/2017		Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2018	
	Opening Balance	Cash flows				Closing balance	
Loans – secured	1,297	(147)	–	–	–	1,150	
TOTAL	1,297	(147)	–	–	–	1,150	

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.

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Note 11. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	794	–	773	–
Long service leave	1,487	78	1,495	31
Other leave	22	–	40	–
Sub-total – aggregate employee benefits	2,303	78	2,308	31
Asset remediation/restoration:				
Asset remediation/restoration (future works)	34	347	34	340
Sub-total – asset remediation/restoration	34	347	34	340
TOTAL PROVISIONS	2,337	425	2,342	371

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

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

Provisions – employees benefits	1,240	1,682
	<u>1,240</u>	<u>1,682</u>

(b) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2019				
At beginning of year	773	1,526	40	2,339
Other	21	39	(18)	42
Total ELE provisions at end of period	794	1,565	22	2,381
2018				
At beginning of year	981	1,636	24	2,641
Other	(208)	(110)	16	(302)
Total ELE provisions at end of period	773	1,526	40	2,339

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	374	374
Other	7	7
Total other provisions at end of period	381	381
2018		
At beginning of year	368	368
Unwinding of discount	6	6
Total other provisions at end of period	374	374

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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.

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

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	7,378	5,967
Balance as per the Statement of Cash Flows		7,378	5,967
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		4,115	6,351
Adjust for non-cash items:			
Depreciation and amortisation		6,081	5,861
Net losses/(gains) on disposal of assets		651	(478)
Non-cash capital grants and contributions		–	(48)
Unwinding of discount rates on reinstatement provisions		–	6
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,080	(971)
Decrease/(increase) in inventories		16	24
Decrease/(increase) in other current assets		28	(5)
Increase/(decrease) in payables		(261)	399
Increase/(decrease) in other accrued expenses payable		(46)	160
Increase/(decrease) in other liabilities		50	46
Increase/(decrease) in provision for employee benefits		42	(302)
Increase/(decrease) in other provisions		7	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		11,763	11,043
(c) Non-cash investing and financing activities			
Other – Committee constructed buildings		–	48
Total non-cash investing and financing activities		–	48

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

Note 14. Commitments

\$ '000	2019	2018
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	372	–
Plant and equipment	212	54
Water infrastructure	45	–
Roadworks	505	1,148
Sewer Infrastructure	–	20
Other	373	–
Total commitments	1,507	1,222
These expenditures are payable as follows:		
Within the next year	1,507	1,222
Total payable	1,507	1,222
Sources for funding of capital commitments:		
Unrestricted general funds	212	53
Future grants and contributions	1,250	1,085
Externally restricted reserves	45	84
Total sources of funding	1,507	1,222

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. 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 for non-180 Point members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times employee contributions

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 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 additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Contingencies and other assets/liabilities not recognised (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$116,254.59. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Council's expected contribution to the plan for the next annual reporting period is \$141,800.76.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.17% as at 30 June 2019.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

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

Note 15. Contingencies and other assets/liabilities not recognised (continued)

2. Other liabilities

(i) Third party claims

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	7,378	5,967	7,378	5,967
Receivables	1,753	2,833	1,753	2,835
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	28,000	26,000	28,000	26,000
Total financial assets	37,131	34,800	37,131	34,802
Financial liabilities				
Payables	837	1,118	837	1,118
Loans/advances	994	1,150	994	1,150
Total financial liabilities	1,831	2,268	1,831	2,268

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.

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

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

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

The risks associated with the instruments held are:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management (continued)

Council manages these risks (amongst other measures) by investing only in term deposits, in line with Council's Financial Strategy 2016.

(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	354	(354)	(354)	354
2018				
Possible impact of a 1% movement in interest rates	319	(319)	(319)	319

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. 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.

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.

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	525	41	33	14	8	621
2018						
Gross carrying amount	238	50	27	14	6	335

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	473	475	1	19	164	1,132
2018						
Gross carrying amount	1,087	909	13	120	369	2,498

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. 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: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	86	86	–	–	172	837
Loans and advances	0.00%	200	200	594	–	994	994
Total financial liabilities		286	286	594	–	1,166	1,831
2018							
Trade/other payables	0.00%	60	1,058	–	–	1,118	1,118
Loans and advances	4.26%	200	200	634	116	1,150	1,150
Total financial liabilities		260	1,258	634	116	2,268	2,268

Loan agreement breaches

There have been no breaches to loan agreements during the reporting year.

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

Note 17. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 19/06/2019 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	9,992	10,235	243	2% F
User charges and fees	1,697	2,571	874	52% F
Council budgets for fees and charges conservatively. In particular water consumption has exceeded expectations.				
Interest and investment revenue	731	772	41	6% F
Other revenues	517	1,217	700	135% F
Council does not budget to sell high security water, which is entirely dependent on usage, price and availability. Sales in 2019 total \$778,000				
Operating grants and contributions	6,214	6,589	375	6% F
Capital grants and contributions	5,776	3,569	(2,207)	(38)% U
Grant funds are release on milestones rather than award of the grant. A \$2M grant for Finley water treatment renewal has been deferred to 2019-20.				

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

Note 17. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	8,448	8,581	(133)	(2)% U
Borrowing costs	45	53	(8)	(18)% U
The unwinding of provision costs are not included in budgeted costs.				
Materials and contracts	1,954	3,119	(1,165)	(60)% U
Council continues to be successful in grant applications. There is a disconnect between funding, payments and budgets due to variable milestone timelines.				
Depreciation and amortisation	5,981	6,081	(100)	(2)% U
Other expenses	2,189	2,353	(164)	(7)% U
Net losses from disposal of assets	-	651	(651)	∞ U
STATEMENT OF CASH FLOWS				
Net cash provided from (used in) operating activities	12,325	11,763	(562)	(5)% U
Net cash provided from (used in) investing activities	(13,571)	(10,196)	3,375	(25)% F
Stronger than anticipated overall performance resulted in a stronger cash position, which was invested in Term Deposited which were not budgeted.				
Net cash provided from (used in) financing activities	(155)	(156)	(1)	1% U

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

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	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9(a)					
Plant and equipment		30/06/13	–	–	3,011	3,011
Office equipment		30/06/14	–	–	96	96
Operational land		30/06/18	–	–	9,276	9,276
Community land		30/06/18	–	–	271	271
Land under roads (post 30/06/08)		30/06/18	–	–	234	234
Land improvements – depreciable		30/06/14	–	–	819	819
Buildings – non-specialised		30/06/18	–	–	628	628
Buildings – specialised		30/06/18	–	–	29,128	29,128
Roads		30/06/18	–	–	113,101	113,101
Bridges		30/06/18	–	–	3,419	3,419
Footpaths		30/06/18	–	–	3,384	3,384
Bulk earthworks		30/06/18	–	–	3,308	3,308
Stormwater drainage		30/06/18	–	–	18,288	18,288
Water supply network		30/06/17	–	–	27,319	27,319
Sewer network		30/06/17	–	–	21,169	21,169
Swimming pools		30/06/17	–	–	1,540	1,540
Heritage collections		30/06/16	–	–	67	67
Library books		30/06/18	–	–	158	158
Other assets		30/06/16	–	–	2,835	2,835
Tip assets		30/06/18	–	–	353	353
Quarry assets		30/06/18	–	–	16	16
Open Space		30/06/13	–	–	5,402	5,402
Total infrastructure, property, plant and equipment			–	–	243,822	243,822

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

Note 18. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9(a)					
Plant and equipment		30/06/13	–	–	3,161	3,161
Office equipment		30/06/14	–	–	125	125
Operational land		30/06/18	–	–	9,298	9,298
Community land		30/06/18	–	–	270	270
Land under roads (post 30/06/08)		30/06/18	–	–	234	234
Land improvements – depreciable		30/06/14	–	–	572	572
Buildings – non-specialised		30/06/18	–	–	637	637
Buildings – specialised		30/06/18	–	–	30,312	30,312
Roads		30/06/18	–	–	112,910	112,910
Bridges		30/06/18	–	–	3,516	3,516
Footpaths		30/06/18	–	–	3,339	3,339
Bulk earthworks		30/06/18	–	–	3,259	3,259
Stormwater drainage		30/06/18	–	–	17,233	17,233
Water supply network		30/06/17	–	–	26,210	26,210
Sewer network		30/06/17	–	–	19,045	19,045
Swimming pools		30/06/17	–	–	1,604	1,604
Heritage collections		30/06/16	–	–	68	68
Library books		30/06/18	–	–	197	197
Other assets		30/06/16	–	–	2,739	2,739
Tip assets		30/06/18	–	–	256	256
Quarry assets		30/06/18	–	–	20	20
Open Space		30/06/13	–	–	3,968	3,968
Total infrastructure, property, plant and equipment			–	–	238,973	238,973

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

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

Council's policy for determining transfers between fair value hierarchies is at the end of the reporting period.

There were no transfers in or out of level 1 and level 2 fair valuation hierarchy

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. 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:

Financial liabilities

Payables: Outstanding creditor payments, security bonds and deposits

Valuation technique – “Cost approach”

Inputs used (Level 2) – Cost of product or service

Loans/Advances: Outstanding loan from bank

Valuation technique – “Cost approach”

Inputs used (Level 2) – Amount of loan outstanding as advised by lender.

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

Plant and Equipment: Major plant (graders, loaders, etc.), fleet vehicles (cars, utes, etc.) and minor plant (chainsaws, mowers etc.)

Valuation technique – “Cost approach”

Inputs used (Level 3) – Fair value is approximated by depreciated historical cost.

Office Equipment: Computers, office furniture

Valuation technique – “Cost approach”

Inputs used (Level 3) – Fair value is approximated by depreciated historical cost.

Operational land: Land under Council offices, depots, libraries, water and sewer treatment plants etc.

Valuation technique – “Market approach”

Inputs used (Level 3) – Land area, rate per square metre, zoning, geographical location, sales of comparable land.

Council’s operational land has been valued at a market value, involving the inspection and analysis of sales evidence and comparisons with the subject property with adjustment for differences between key attributes of the properties.

Council’s operational land was valued by APV Valuers and Asset Management Pty Ltd, a registered valuer.

Community land: Land under parks, recreation reserves, public halls etc.

Valuation technique – “Market approach”

Inputs used (Level 3) – Land area, rate per square metre, zoning, geographical location, sales of comparable land

Council’s operational land has been valued at a market value, involving the inspection and analysis of sales evidence and comparisons with the subject property with adjustment for differences between key attributes of the properties.

Council’s community land was valued using the unimproved land value provided by the NSW Valuer General in accordance with Office of Local Government guidance for infrastructure assets, as well as input from APV Valuers and Asset Management Pty Ltd.

Land under roads: Land under roads acquired since 1 July 2008

Valuation technique – “Market approach”

Inputs used (Level 3) – Land area, rate per square metre, zoning, geographical location, sales of comparable land.

Council’s operational land has been valued at a market value, involving the inspection and analysis of sales evidence and comparisons with the subject property with adjustment for differences between key attributes of the properties. As the Council’s

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

land under roads assets have no feasible alternate use, significant adjustments to the rate per square meter have been applied to the unobservable inputs and are based on a rate per square metre.

Council's Land under roads was valued by APV Valuers and Asset Management Pty Ltd, a registered valuer.

Land Improvements - depreciable: Car parks, netball and tennis courts, fences etc.

Valuation technique – "Cost approach"

Inputs used (Level 3) –, dimensions, specifications. (Level 3) – Unit rates, Condition, Remaining life, Residual value

These assets were valued at depreciated replacement cost. Available market data for recent projects and published cost guides are used to determine the estimated replacement cost of the asset, including preliminaries. A condition assessment is then applied based on factors such as the age of the asset, overall condition and remaining life. In some cases, residual values are factored into the calculation, which is the value at the time the asset is considered to no longer be available.

Council's Land Improvements were valued at depreciated historical cost as a representation of fair value in accordance with Office of Local Government guidance for infrastructure assets.

Buildings (Non-specialised): Residences

Valuation technique – "Market approach"

Inputs used (Level 3) – Sales evidence

Council's non-specialised buildings have been valued at a market value, involving the inspection and analysis of sales evidence and comparisons with the subject building with adjustment for differences between key attributes of the properties. The land value is then subtracted from the market value of the property to measure the building asset fair value.

Council's Buildings (non-specialised) was valued by APV Valuers and Asset Management Pty Ltd, a registered valuer.

Buildings (Specialised): Community halls, toilet blocks, Council office, libraries, depot buildings, sheds etc.

Valuation technique – "Cost approach"

Inputs used (Level 3) – Unit rates, dimensions, specifications. (Level 3) – Condition, Remaining life, Residual value

These assets were valued at depreciated replacement cost. Available market data for recent projects and published cost guides are used to determine the estimated replacement cost of the asset, including preliminaries. A condition assessment is then applied based on factors such as the age of the asset, overall condition and remaining life. In some cases, residual values are factored into the calculation, which is the value at the time the asset is considered no longer to be available.

Council's Buildings (specialised) was valued by APV Valuers and Asset Management Pty Ltd, a registered valuer.

Roads, Bridges, Footpaths: Road surface, pavement, formation, road furniture, bridges, culverts.

Valuation technique – "Cost approach"

Inputs used (Level 3) – Unit rates, useful life, asset condition, specifications.

These assets were valued at depreciated replacement cost. Council's road infrastructure assets are segmented and componentised into the following categories:

- Seal
- Pavement
- Formation and earthworks
- Culverts
- Road furniture (signs, guideposts, guardrails)

Council has surveyed its entire road network to measure both length and width of pavement and seal.

Unit rates were based on Council's own cost data based on its average cost across its entire road network, benchmarked against rates provided in relevant construction cost guides. Unit rates are applied consistently across the road network regardless of topography, soil type and geographical location.

Condition assessments have been applied across the entire road network to establish remaining useful lives.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

Bridges were valued on the basis of deck area, with composite deck being \$1,900 per square metre, and concrete \$2,200 per square metre.

Culverts were valued on their replacement cost from a relevant construction cost guide.

Council's roads, bridges and footpath assets were valued in-house by Mr Fred Exton – Engineering Services Manager

Bulk earthworks: Levee banks.

Valuation technique – "Cost approach"

Inputs used (Level 3) – Unit rates, dimensions, condition

The unit rates were determined by current replacement cost.

Council's bulk earthworks were valued in-house by Mr Fred Exton – Engineering Services Manager.

Stormwater drainage: Kerb and gutter, drainage network, pumps and pump well, retention basins etc.

Valuation technique – "Cost approach"

Inputs used (Level 3) – Unit rates, useful life, asset condition, dimensions and specification

Council has surveyed its entire stormwater drainage network to measure both length and width of pipes and location and depth of pits.

Unit rates were based on Council's own cost data based on its average cost across its entire stormwater drainage network, benchmarked against rates provided in relevant construction cost guides. Values for pumps are based on depreciated replacement cost.

Condition assessments have been applied across the entire drainage network to establish remaining useful lives.

Council's stormwater drainage assets were valued in-house by Mr Fred Exton – Engineering Services Manager.

Water Supply Network: Treatment plants, mains, reservoirs etc.

Valuation technique – "Cost approach"

Inputs used (Level 3) – Unit rates, useful life, asset condition, dimensions and specification

The Council has surveyed its entire sewerage network to measure both length and width of pipes and their location.

Unit rates are based on the NSW References Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets, including annual indexation.

Condition assessments were applied to individual assets based on inspection programs, including the use of cameras. Where inspections have not been, or are unable to be, made the life of the asset has been used to estimate condition.

Council's water network assets were valued in-house by Mr Fred Exton – Engineering Services Manager

Sewerage Network: Sewer pipes, pump stations, treatment plants etc.

Valuation technique – "Cost approach"

Inputs used (Level 3) – Unit rates, useful life, asset condition, dimensions and specification

The Council has surveyed its entire sewerage network to measure both length and width of pipes and location and depth of pits. Unit rates are based on the NSW References Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets, including annual indexation.

Condition assessments were applied to individual assets based on inspection programs, including the use of cameras. Where inspections have not been, or are unable to be, made the life of the asset has been used to estimate condition.

Council's sewerage network assets were valued in-house by Mr Fred Exton – Engineering Services Manager

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

Other Assets

Heritage collections:

Valuation technique – “Cost approach”

Inputs used (Level 3) – Fair value is approximated by depreciated historical cost

Library books: Books and other collection items.

Valuation technique – “Cost approach”

Inputs used (Level 3) – Fair value is approximated by depreciated historical cost

Library books are valued as bulk annual purchases and depreciated using a standard useful life.

Other Assets:

Valuation technique – “Cost approach”

Inputs used (Level 3) – Fair value is approximated by depreciated historical cost

Councils other assets were valued at depreciated historical cost as a representation of fair value in accordance with Office of Local Government guidance for infrastructure assets.

Tip & Quarry Assets:

Valuation technique – “Cost approach”

Inputs used (Level 3) – Fair value is approximated by depreciated historical cost

Councils tip and quarry assets were valued at depreciated historical cost, and remediation costs are estimated in House by Mr Fred Exton, Director of Technical Services, and are factored to account for inflation.

Open Space Assets:

Valuation technique – “Cost approach”

Inputs used (Level 3) – Fair value is approximated by depreciated historical cost

Councils tip and quarry assets were valued at depreciated historical cost as a representation of fair value in accordance with Office of Local Government guidance for infrastructure assets.

Non-current assets classified as ‘held for sale’

Assets previously classified as “Held for Sale” are actively being marketed however as they may not sell within 12 months, or indeed for some considerable time they have been transferred to Inventory assets along with all other land being marketed.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. 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	Operational Land	Community Land	Depreciable land improve- ments	Land under roads	Buildings non- specialised
2018					
Opening balance	6,869	320	500	30	513
Transfers from/(to) another asset class	(120)	–	28	142	–
Purchases (GBV)	125	–	–	–	–
Disposals (WDV)	(111)	–	–	–	–
Depreciation and impairment	–	–	(30)	–	(10)
Revaluation	2,536	(50)	74	62	134
Closing balance	9,299	270	572	234	637
2019					
Opening balance	9,299	270	572	234	637
Transfers from/(to) another asset class	(1)	1	–	–	–
Purchases (GBV)	122	–	293	–	–
Disposals (WDV)	(153)	–	–	–	–
Depreciation and impairment	–	–	(46)	–	(9)
Revaluation	9	–	–	–	–
Closing balance	9,276	271	819	234	628

\$ '000	Building specialised	Plant and equipment	Office equipment	Roads	Bridges
2018					
Opening balance	17,440	2,463	130	111,355	3,621
Transfers from/(to) another asset class	–	–	–	(166)	–
Purchases (GBV)	316	1,588	40	5,633	4
Disposals (WDV)	–	(123)	–	(7)	–
Depreciation and impairment	(575)	(767)	(45)	(2,551)	(107)
Revaluation	13,131	–	–	(1,354)	(2)
Closing balance	30,312	3,161	125	112,910	3,516
2019					
Opening balance	30,312	3,161	125	112,910	3,516
Transfers from/(to) another asset class	–	753	–	–	–
Purchases (GBV)	717	–	6	2,374	8
Disposals (WDV)	–	(85)	(4)	(893)	–
Depreciation and impairment	(1,224)	(818)	(31)	(2,538)	(107)
Revaluation	(677)	–	–	1,248	2
Closing balance	29,128	3,011	96	113,101	3,419

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

Note 18. Fair Value Measurement (continued)

\$ '000	Footpaths	Bulk earth	Stormwater drainage	Water supply network	Sewerage network	
2018						
Opening balance	3,212	2,976	18,001	27,777	17,335	
Transfers from/(to) another asset class	166	–	(50)	–	–	
Purchases (GBV)	15	283	347	10	293	
Depreciation and impairment	(68)	–	(235)	(615)	(548)	
Revaluation	14	–	(831)	(962)	1,965	
Closing balance	3,339	3,259	17,232	26,210	19,045	
2019						
Opening balance	3,339	3,259	17,232	26,210	19,045	
Purchases (GBV)	134	49	511	277	16	
Disposals (WDV)	(4)	–	(23)	(44)	(4)	
Depreciation and impairment	(70)	–	(240)	(669)	(588)	
Revaluation	(15)	–	808	1,545	2,700	
Closing balance	3,384	3,308	18,288	27,319	21,169	
<hr/>						
\$ '000				Swimming pools	Heritage collections	Library books
2018						
Opening balance				1,614	69	210
Purchases (GBV)				51	–	26
Depreciation and impairment				(61)	(1)	(39)
Closing balance				1,604	68	197
2019						
Opening balance				1,604	68	197
Purchases (GBV)				–	–	18
Disposals (WDV)				–	–	(31)
Depreciation and impairment				(64)	(1)	(26)
Closing balance				1,540	67	158

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

Note 18. Fair Value Measurement (continued)

\$ '000	Other assets	Tip and quarry assets	Total
2018			
Opening balance	6,167	211	220,813
Purchases (GBV)	739	–	9,470
Disposals (WDV)	–	(3)	(244)
Depreciation and impairment	(199)	(10)	(5,861)
Revaluation	–	78	14,795
Closing balance	6,707	276	238,973
2019			
Opening balance	6,707	276	238,973
Transfers from/(to) another asset class	–	–	753
Purchases (GBV)	1,817	–	6,342
Disposals (WDV)	–	–	(1,241)
Depreciation and impairment	(287)	(15)	(6,733)
Revaluation	–	108	5,728
Closing balance	8,237	369	243,822

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

There were no FV hierarchy transfer into or out of level 3.

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

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

Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment	
Office Equipment	Cost Approach
Operational Land	Market Approach
Community Land	Market Approach
Land under Roads (post 30/06/08)	Market Approach
Land Improvements - Depreciable	Cost Approach
Buildings – Non Specialised	Cost Approach
Buildings - Specialised	Cost Approach

• Gross Replacement Cost
• Remaining Useful Life
• Price per square metre, Land area, zoning, geographical location, sales of comparable land
• Price per square metre, Land area, zoning, geographical location, sales of comparable land
• Price per square metre, Land area, zoning, geographical location, sales of comparable land
• Alternate Uses
• Unit Rates
• Asset Condition
• Useful Life
• Unit Rates
• Asset Condition
• Useful Life
• Unit Rates
• Asset Condition
• Useful Life

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Roads	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful Life
Bridges	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful Life
Footpaths	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful Life
Bulk Earthworks	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful Life
Stormwater Drainage	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful Life
Water Supply Network	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful Life
Sewer Network	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful Life
Swimming Pools	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful Life
Heritage Collections	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful Life
Library Books	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful Life
Other Assets	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful Life
Asset class here...		<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining Useful Life
Tip & Quarry Assets	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful Life

d. The valuation process for level 3 fair value measurements

The valuation process/es they use for level 3 fair valuation measurements is to use the market or cost approach (as indicated above) to review fair value, where the relationship of unobservable inputs to Fair Value are affected by any change in component pricing and asset condition. Asset valuations are reviewed annually by the Director of Technical Services and the Finance Manager.

(5) Highest and best use

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

Berrigan Shire Council

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

Note 19. 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	1,051	984
Post-employment benefits	121	146
Total	1,172	1,130

(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.

There are no other disclosures to be made by KMP.

Berrigan Shire Council

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

Note 20. Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure:

Dissolution of Central Murray County Council

As at 1 July 2019 the Central Murray County Council (CMCC) a noxious weeds control authority of which Council was a constituent council was dissolved by Proclamation and its assets, liabilities and staff were distributed between Berrigan Shire Council, Edward Shire Council and Murray River Council.

Berrigan Shire Council took over the Berrigan centric operations, including taking on two of the existing staff and all associated local assets.

Prior to the dissolution Council paid an annual contribution of \$129,669 per annum toward the operations of the County Council. Going forward Council has budgeted a total of \$277,456 per annum (indexed) to cover noxious weed control operations.

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Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
S7.11 not under plans	95	23	–	–	–	–	118	–
S64 contributions	160	178	–	–	–	–	338	–
Total contributions	255	201	–	–	–	–	456	–

S7.11 Contributions – not under a plan

CONTRIBUTIONS NOT UNDER A PLAN

Drainage	17	12	–	–	–	–	29	–
Parking	7	9	–	–	–	–	16	–
Open space	71	2	–	–	–	–	73	–
Total	95	23	–	–	–	–	118	–

S64 contributions

S64 contributions

Water	151	176	–	–	–	–	327	–
Sewer	9	2	–	–	–	–	11	–
Total	160	178	–	–	–	–	338	–

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

Note 22. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	6,309	1,947	1,979
User charges and fees	1,179	1,329	63
Interest and investment revenue	427	193	152
Other revenues	359	827	44
Grants and contributions provided for operating purposes	6,589	–	–
Grants and contributions provided for capital purposes	3,374	175	20
Total income from continuing operations	18,237	4,471	2,258
Expenses from continuing operations			
Employee benefits and on-costs	7,851	418	312
Borrowing costs	53	–	–
Materials and contracts	337	1,619	1,163
Depreciation and amortisation	4,703	705	673
Other expenses	1,735	428	190
Net losses from the disposal of assets	607	44	–
Total expenses from continuing operations	15,286	3,214	2,338
Operating result from continuing operations	2,951	1,257	(80)
Net operating result for the year	2,951	1,257	(80)
Net operating result attributable to each council fund	2,951	1,257	(80)
Net operating result for the year before grants and contributions provided for capital purposes	(423)	1,082	(100)

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

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	727	4,135	2,516
Investments	18,000	6,000	4,000
Receivables	1,434	210	109
Inventories	222	63	4
Other	37	–	–
Total current assets	20,420	10,408	6,629
Non-current assets			
Inventories	185	–	–
Infrastructure, property, plant and equipment	195,977	28,653	22,700
Total non-current assets	196,162	28,653	22,700
TOTAL ASSETS	216,582	39,061	29,329
LIABILITIES			
Current liabilities			
Payables	821	16	–
Income received in advance	235	–	–
Borrowings	161	–	–
Provisions	2,337	–	–
Total current liabilities	3,554	16	–
Non-current liabilities			
Borrowings	833	–	–
Provisions	425	–	–
Total non-current liabilities	1,258	–	–
TOTAL LIABILITIES	4,812	16	–
Net assets	211,770	39,045	29,329
EQUITY			
Accumulated surplus	82,933	24,656	10,834
Revaluation reserves	128,837	14,389	18,495
Council equity interest	211,770	39,045	29,329
Total equity	211,770	39,045	29,329

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 23(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}	1,197	5.60%	18.24%	22.54%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	21,384				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	14,569	58.39%	61.16%	53.93%	>60.00%
Total continuing operating revenue ¹	24,953				
3. Unrestricted current ratio					
Current assets less all external restrictions	15,718	6.79x	7.24x	8.08x	>1.50x
Current liabilities less specific purpose liabilities	2,314				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,331	35.08x	48.70x	34.86x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	209				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	621	5.97%	3.30%	3.72%	<10.00%
Rates, annual and extra charges collectible	10,406				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	35,378	29.33 mths	27.97 mths	24.00 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	1,206				

(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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	1.36%	19.24%	25.19%	21.40%	(3.89)%	5.62%	>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	44.09%	49.99%	96.09%	98.41%	99.11%	87.02%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	6.79x	7.24x	650.50x	585.13x	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	23.78x	38.45x	∞	∞	∞	∞	>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	9.58%	0.19%	0.00%	11.91%	0.00%	4.66%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	23.81	33.09	∞	13.54	∞	15.05	>3.00
Payments from cash flow of operating and financing activities	mths	mths		mths		mths	mths

(1) - (2) Refer to Notes at Note 23a above.

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

General Purpose Financial Statements
for the year ended 30 June 2019

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General Purpose Financial Statements
for the year ended 30 June 2019

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Berrigan Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

"Making an even better Berrigan Shire"



Berrigan Shire Council

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).

Berrigan Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 30 October 2019.

Cr. Matthew Hannan
Mayor
30 October 2019

Cr. Daryll Morris
Councillor
30 October 2019

Rowan Perkins
General Manager
30 October 2019

Carla von Brockhusen
Responsible Accounting Officer
30 October 2019

Berrigan Shire Council

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	1,947	1,957
User charges	1,247	1,087
Fees	82	64
Interest	193	187
Other income	827	298
Total income from continuing operations	4,296	3,593
Expenses from continuing operations		
Employee benefits and on-costs	418	389
Materials and contracts	1,619	1,392
Depreciation, amortisation and impairment	705	642
Water purchase charges	137	100
Loss on sale of assets	44	–
Other expenses	291	301
Total expenses from continuing operations	3,214	2,824
Surplus (deficit) from continuing operations before capital amounts	1,082	769
Grants and contributions provided for capital purposes	175	58
Surplus (deficit) from continuing operations after capital amounts	1,257	827
Surplus (deficit) from all operations before tax	1,257	827
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(298)	(211)
SURPLUS (DEFICIT) AFTER TAX	959	616
Plus accumulated surplus	23,399	22,572
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	298	211
Closing accumulated surplus	24,656	23,399
Return on capital %	3.8%	2.8%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	959	616
Less: capital grants and contributions (excluding developer contributions)	(175)	–
Surplus for dividend calculation purposes	784	616
Potential dividend calculated from surplus	392	308

Berrigan Shire Council

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	1,979	1,932
User charges	22	22
Fees	41	39
Interest	152	188
Other income	44	45
Total income from continuing operations	2,238	2,226
Expenses from continuing operations		
Employee benefits and on-costs	312	297
Materials and contracts	1,163	1,049
Depreciation, amortisation and impairment	673	590
Calculated taxation equivalents	13	14
Other expenses	177	165
Total expenses from continuing operations	2,338	2,115
Surplus (deficit) from continuing operations before capital amounts	(100)	111
Grants and contributions provided for capital purposes	20	332
Surplus (deficit) from continuing operations after capital amounts	(80)	443
Surplus (deficit) from all operations before tax	(80)	443
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(33)
SURPLUS (DEFICIT) AFTER TAX	(80)	410
Plus accumulated surplus	10,914	10,471
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	13	14
– Corporate taxation equivalent	–	33
Less:		
– Tax equivalent dividend paid	(13)	(14)
Closing accumulated surplus	10,834	10,914
Return on capital %	(0.4)%	0.5%
Subsidy from Council	400	431
Calculation of dividend payable:		
Surplus (deficit) after tax	(80)	410
Less: capital grants and contributions (excluding developer contributions)	(20)	(329)
Surplus for dividend calculation purposes	–	81
Potential dividend calculated from surplus	–	41

Berrigan Shire Council

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	4,135	2,462
Investments	6,000	6,000
Receivables	210	247
Inventories	63	68
Total current assets	10,408	8,777
Non-current assets		
Infrastructure, property, plant and equipment	28,653	27,481
Total non-current assets	28,653	27,481
TOTAL ASSETS	39,061	36,258
LIABILITIES		
Current liabilities		
Payables	16	15
Total current liabilities	16	15
TOTAL LIABILITIES	16	15
NET ASSETS	39,045	36,243
EQUITY		
Accumulated surplus	24,656	23,399
Revaluation reserves	14,389	12,844
TOTAL EQUITY	39,045	36,243

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Berrigan Shire Council

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	2,516	1,913
Investments	4,000	4,000
Receivables	109	179
Inventories	4	3
Total current assets	6,629	6,095
Non-current assets		
Infrastructure, property, plant and equipment	22,700	20,614
Total non-current assets	22,700	20,614
TOTAL ASSETS	29,329	26,709
<u>NET ASSETS</u>	<u>29,329</u>	<u>26,709</u>
EQUITY		
Accumulated surplus	10,834	10,914
Revaluation reserves	18,495	15,795
<u>TOTAL EQUITY</u>	<u>29,329</u>	<u>26,709</u>

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Statement of Financial Position –
as at 30 June 2019

TOTAL EQUITY

_____	_____
_____	_____

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Berrigan Shire 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)

Nil

Category 2

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

a. Berrigan Shire Council Water Supply

Supply drinking quality water to the towns of Barooga, Berrigan, Finley and Tocumwal

b. Berrigan Shire Council Sewerage Service

Supply of a reticulated sewerage service to the towns of Barooga, Berrigan, Finley and Tocumwal.

Berrigan Shire 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 currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures). As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

Payroll tax – the business activities do not reach the threshold for payroll tax to apply.

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to 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 NSW Office of 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.

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.

Berrigan Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(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.

Special Purpose Financial Statements
for the year ended 30 June 2019

Please upift Council's Audit Report PDF (opinion) for inclusion in the SPFS report (via the Home screen).

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Berrigan Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

"Making an even better Berrigan Shire"



Berrigan Shire Council

Special Schedules

for the year ended 30 June 2019

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Berrigan Shire Council

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

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	5,135	5,019
Plus or minus adjustments ²	b	(1)	(3)
Notional general income	c = a + b	5,134	5,016
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	i = e x (c + g)	139	115
Sub-total	k = (c + g + h + i + j)	5,273	5,131
Plus (or minus) last year's carry forward total	l	(1)	3
Sub-total	n = (l + m)	(1)	3
Total permissible income	o = k + n	5,272	5,134
Less notional general income yield	p	5,302	5,135
Catch-up or (excess) result	q = o - p	(30)	(1)
Carry forward to next year ⁶	t = q + r + s	(30)	(1)

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (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.

Berrigan Shire Council

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	–	–	2	2	627	639	32.0%	68.0%	0.0%	0.0%	0.0%
	Buildings – specialised	–	–	135	175	29,128	41,766	55.0%	25.0%	18.0%	2.0%	0.0%
	Sub-total	–	–	137	177	29,756	42,405	54.7%	25.6%	17.7%	2.0%	0.0%
Roads	Sealed roads	–	–	1,056	1,133	104,406	126,179	95.0%	3.0%	1.0%	1.0%	0.0%
	Unsealed roads	–	–	541	584	8,691	30,218	84.0%	10.0%	4.0%	2.0%	0.0%
	Bridges	–	–	18	18	3,516	7,987	0.0%	100.0%	0.0%	0.0%	0.0%
	Footpaths	–	–	17	19	3,339	4,623	0.0%	26.0%	74.0%	0.0%	0.0%
	Bulk earthworks	–	–	19	19	3,259	3,308	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	1	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	1,651	1,773	123,212	172,315	86.2%	9.3%	3.4%	1.1%	0.0%
Water supply network	Water supply network	–	–	1,422	1,962	27,319	48,607	0.0%	58.0%	42.0%	0.0%	0.0%
	Sub-total	–	–	1,422	1,962	27,319	48,607	0.0%	58.0%	42.0%	0.0%	0.0%
Sewerage network	Sewerage network	–	–	943	1,178	21,169	44,997	3.0%	97.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	943	1,178	21,169	44,997	3.0%	97.0%	0.0%	0.0%	0.0%
Stormwater drainage	Stormwater drainage	–	–	102	83	18,288	23,175	38.0%	62.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	102	83	18,288	23,175	38.0%	62.0%	0.0%	0.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	16	6	3,552	2,951	12.0%	78.0%	10.0%	0.0%	0.0%
	Other	–	–	389	372	3,390	9,767	20.0%	70.0%	10.0%	0.0%	0.0%
	Sub-total	–	–	405	378	6,942	12,718	18.1%	71.9%	10.0%	0.0%	0.0%
TOTAL - ALL ASSETS		–	–	4,660	5,551	226,686	344,217	53.5%	35.5%	10.2%	0.8%	0.0%

(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)	4 Poor	Renewal required
2 Good	Only minor maintenance work required	5 Very poor	Urgent renewal/upgrading required
3 Satisfactory	Maintenance work required		

Berrigan Shire Council

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	8,772	154.79%	131.39%	80.35%	>=100.00%
Depreciation, amortisation and impairment	5,667				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	-	-	-	-	<2.00%
Net carrying amount of infrastructure assets	226,686				
Asset maintenance ratio					
Actual asset maintenance	5,551	119.12%	103.90%	114.73%	>100.00%
Required asset maintenance	4,660				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	-	-	-	-	
Gross replacement cost	344,217				

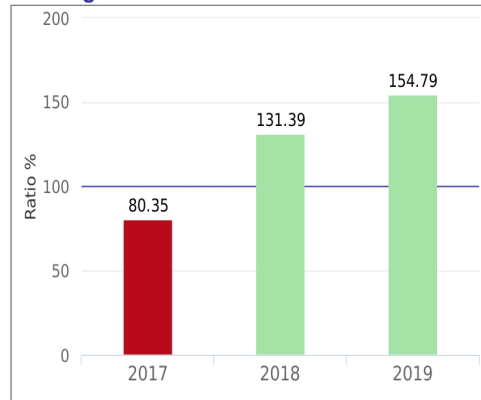
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

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

Buildings and infrastructure renewals ratio ¹



Infrastructure renewals ratio

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

Commentary on result	
18/19 ratio	154.79%
Council continues to invest in building and infrastructure renewal.	

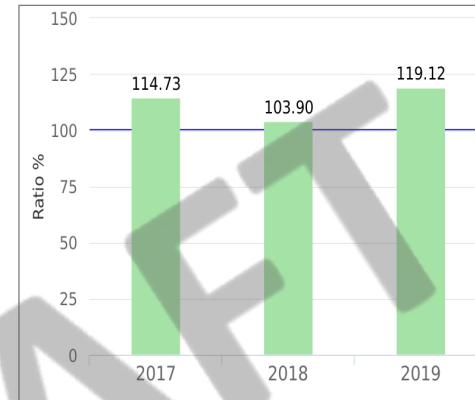
Benchmark: — $\geq 100.00\%$

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	119.12%
Council continues to maintain its assets.	

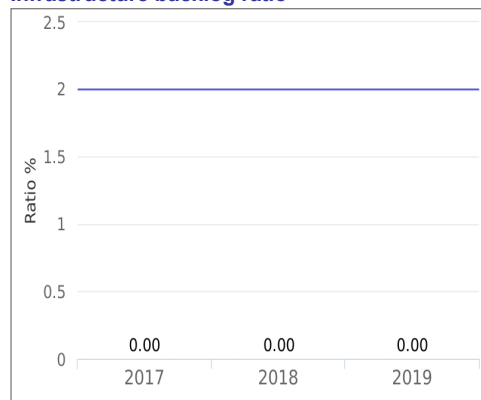
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio ¹



Infrastructure backlog ratio

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

Commentary on result	
18/19 ratio	0.00%
Council has no unfunded infrastructure.	

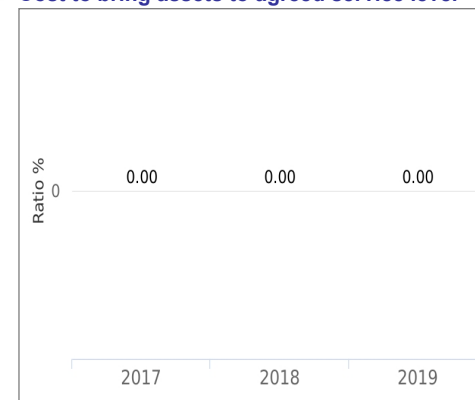
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result	
18/19 ratio	0.00%
All service levels are maintained.	

(1) Excludes Work In Progress (WIP)

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

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	193.88%	160.54%	30.79%	43.90%	2.72%	31.75%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	-	-	-	-	-	-	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	105.05%	105.93%	137.97%	101.98%	124.92%	100.37%	>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) 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.