



Walcha Council Annual Report 2018 – 2019

General Purpose Financial Statements

For the Year Ended

30 June 2019

Walcha Council

General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

2W Hamilton Street
Walcha NSW 2354

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.walcha.nsw.gov.au.

Walcha Council

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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



WALCHA COUNCIL

GENERAL 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 (as amended)

The attached Annual Financial Statements have been drawn up in accordance with

- The Local Government Act 1993 (as amended) and the Regulations made there under
- The Local Government Code of Accounting Practice and Financial Reporting
- The Australian Accounting Standards and professional pronouncements

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

- Present fairly the Council's financial position and operating result for the year, and
- Accord with Council's accounting and other records

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

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

Handwritten signature of Eric Noakes in black ink.

Clr Eric Noakes

MAYOR

Handwritten signature of Clint Lyon in black ink.

Clr Clint Lyon

DEPUTY MAYOR

Handwritten signature of Jack O'Hara in black ink.

Jack O'Hara

GENERAL MANAGER

Handwritten signature of Rosemary Strobel in black ink.

Rosemary Strobel

RESPONSIBLE ACCOUNTING OFFICER

Walcha Council

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>				
4,837	Rates and annual charges	3a	4,660	4,483
3,584	User charges and fees	3b	3,733	4,517
141	Interest and investment revenue	3c	224	206
221	Other revenues	3d	889	275
4,979	Grants and contributions provided for operating purposes	3e,3f	6,052	5,286
1,750	Grants and contributions provided for capital purposes	3e,3f	2,456	1,193
<u>Other income:</u>				
81	Net gains from the disposal of assets	5	–	–
15,593	Total income from continuing operations		18,014	15,960
Expenses from continuing operations				
4,446	Employee benefits and on-costs	4a	5,700	5,038
61	Borrowing costs	4b	69	89
4,268	Materials and contracts	4c	5,985	4,252
2,574	Depreciation and amortisation	4d	3,187	2,769
1,417	Other expenses	4e	1,303	1,519
–	Net losses from the disposal of assets	5	447	631
12,766	Total expenses from continuing operations		16,691	14,298
<u>2,827</u>	Operating result from continuing operations		<u>1,323</u>	<u>1,662</u>
<u>2,827</u>	Net operating result for the year		<u>1,323</u>	<u>1,662</u>
2,827	Net operating result attributable to council		1,323	1,662
1,077	Net operating result for the year before grants and contributions provided for capital purposes		(1,133)	469

(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.

Walcha Council

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)		1,323	1,662
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	(30,459)	4,171
Total items which will not be reclassified subsequently to the operating result		(30,459)	4,171
Total other comprehensive income for the year		(30,459)	4,171
Total comprehensive income for the year		(29,136)	5,833
Total comprehensive income attributable to Council		(29,136)	5,833

(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.

Walcha Council

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018 ^{1,2}	Restated 1 July 2017
ASSETS				
Current assets				
Cash and cash equivalent assets	6(a)	3,170	1,874	2,657
Investments	6(b)	4,724	7,329	6,526
Receivables	7	4,028	2,405	2,475
Inventories	8	751	690	827
Total current assets		<u>12,673</u>	<u>12,298</u>	<u>12,485</u>
Non-current assets				
Infrastructure, property, plant and equipment	9(a)	415,797	444,080	436,809
Total non-current assets		<u>415,797</u>	<u>444,080</u>	<u>436,809</u>
TOTAL ASSETS		<u>428,470</u>	<u>456,378</u>	<u>449,294</u>
LIABILITIES				
Current liabilities				
Payables	10	1,875	857	954
Income received in advance	10	39	47	58
Borrowings	10	79	74	70
Provisions	11	2,108	1,884	1,684
Total current liabilities		<u>4,101</u>	<u>2,862</u>	<u>2,766</u>
Non-current liabilities				
Payables	10	63	45	7
Borrowings	10	309	388	463
Provisions	11	2,308	2,258	1,066
Total non-current liabilities		<u>2,680</u>	<u>2,691</u>	<u>1,536</u>
TOTAL LIABILITIES		<u>6,781</u>	<u>5,553</u>	<u>4,302</u>
Net assets		<u>421,689</u>	<u>450,825</u>	<u>444,992</u>
EQUITY				
Accumulated surplus	12a	158,840	157,517	155,855
Revaluation reserves	12a	262,849	293,308	289,137
Council equity interest		<u>421,689</u>	<u>450,825</u>	<u>444,992</u>
Total equity		<u>421,689</u>	<u>450,825</u>	<u>444,992</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*

(2) Council has restated comparatives due to an error identified related to found assets - Refer Note 12

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

	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus Restated	IPP&E revaluation reserve Restated	Total equity Restated
\$ '000							
Opening balance		147,527	293,308	440,835	145,865	289,137	435,002
Correction of prior period errors	12b	9,990	–	9,990	9,990	–	9,990
Restated opening balance		157,517	293,308	450,825	155,855	289,137	444,992
Net operating result for the year		1,323	–	1,323	1,662	–	1,662
Restated net operating result for the period		1,323	–	1,323	1,662	–	1,662
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	(30,459)	(30,459)	–	4,171	4,171
Other comprehensive income		–	(30,459)	(30,459)	–	4,171	4,171
Total comprehensive income		1,323	(30,459)	(29,136)	1,662	4,171	5,833
Equity – balance at end of the reporting period		158,840	262,849	421,689	157,517	293,308	450,825

(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.

Walcha Council

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Restated Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
4,837	Rates and annual charges		4,648	4,415
3,584	User charges and fees		3,443	4,866
141	Investment revenue and interest		223	222
6,729	Grants and contributions		7,730	6,540
173	Other		1,523	785
<u>Payments</u>				
(4,446)	Employee benefits and on-costs		(5,479)	(4,855)
(4,267)	Materials and contracts		(5,955)	(5,176)
(31)	Borrowing costs		(29)	(35)
(1,371)	Other		(1,529)	(1,311)
5,349	Net cash provided (or used in) operating activities	13b	4,575	5,451
Cash flows from investing activities				
<u>Receipts</u>				
444	Sale of infrastructure, property, plant and equipment		195	541
<u>Payments</u>				
–	Purchase of investment securities		2,605	(803)
(6,281)	Purchase of infrastructure, property, plant and equipment		(6,005)	(5,901)
(5,837)	Net cash provided (or used in) investing activities		(3,205)	(6,163)
Cash flows from financing activities				
<u>Payments</u>				
(74)	Borrowings and advances		(74)	(71)
(74)	Net cash flow provided (used in) financing activities		(74)	(71)
(562)	Net increase/(decrease) in cash and cash equivalents		1,296	(783)
1,874	Cash and cash equivalents – beginning of year	13a	1,874	2,657
1,312	Cash and cash equivalents – end of the year	13a	3,170	1,874
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	4,724	7,329
1,312	Total cash, cash equivalents and investments		7,894	9,203

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

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

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Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 25 September 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these 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 18 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 12 (c) - Changes in accounting policies due to adoption of new accounting standards,

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General Purpose Operations
- Water Service
- Sewerage Service

(b) The Trust Fund

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

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

Council currently has no monies held in Trust.

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).

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

AASB 16 Leases

AASB 16 will result (for Year Ending June 2020 and beyond) in almost all operating leases being recognised on the balance sheet by Council with the distinction between operating and finance leases removed.

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

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

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/2019.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$121,463 - refer Note 15 - Commitments.

For these operating lease commitments, Council anticipates it will recognise lease liabilities (on its balance sheet) of \$117,564 and also recognise complementary right-of-use assets (on its balance sheet) totaling \$117,564 on 1 July 2019.

From a financial performance standpoint, Council expects the net operating result will not materially change for the 2019/20 financial year as a result of adopting the standard.

Operating cash flows will not materially change as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities.

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15; AASB 1025 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

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

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

AASB 15 applies where there is an **enforceable** contract with a customer with **sufficiently specific** performance obligations which will result in income being recognised when (or as) the performance obligations are satisfied under AASB 15, as opposed to immediate income recognition under AASB 1058.

Council has identified various contracts of service that meet the new recognition criteria and considers \$531,651 of grant revenue for the year ending 30 June 2019 related to incomplete service contributions. This would have been treated as deferred income in the statement of financial position.

Following adoption of the standard, Council's net operating surplus is expected to decrease by approximately \$531,651 and contract liabilities to increase by the same amount as at 30 June 2020.

Walcha Council

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										
Administration	120	185	855	765	(735)	(580)	–	28	15,891	16,148
Public Order & Safety	44	243	306	523	(262)	(280)	41	238	355	370
Health	1	3	50	98	(49)	(95)	–	–	–	–
Environment	750	677	1,021	1,037	(271)	(360)	1	40	11,017	10,977
Community Services & Education	1,463	1,225	1,592	931	(129)	294	1,209	1,007	837	1,359
Housing & Community Amenities	215	72	480	275	(265)	(203)	149	–	1,190	1,057
Recreation & Culture	1,872	215	2,192	802	(320)	(587)	1,737	139	6,630	5,986
Mining, Manufacturing & Construction	57	30	64	(98)	(7)	128	–	–	82	89
Transport & Communication	5,026	5,474	7,244	7,866	(2,218)	(2,392)	1,446	1,460	362,805	393,309
Economic Affairs	875	390	1,321	558	(446)	(168)	88	32	486	447
General Purpose Revenues	6,003	5,610	–	–	6,003	5,610	2,419	2,111	–	–
Water Supplies	898	888	1,061	1,042	(163)	(154)	120	107	17,423	16,964
Sewerage Services	690	948	505	499	185	449	261	509	10,625	9,672
Other	–	–	–	–	–	–	–	–	1,129	–
Total functions and activities	18,014	15,960	16,691	14,298	1,323	1,662	7,471	5,671	428,470	456,378

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Administration

Includes corporate support and other support services, engineering works and council policy compliance. Also incorporates Governance costs including election expenses, members fees and expenses, subscriptions to local authority associations, meetings of Council and policy making committees, public disclosure (GIPA) and legislative compliance

Public Order & Safety

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

Health

Includes food control, health services.

Environment

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

Community Services & Education

Includes administration and education; social protection (welfare); Aboriginal and other community services (excluding accommodation - as it is covered under 'housing and community amenities'; youth services; aged and disabled persons services; children's services, including preschool; and other family and children's services. Also includes Community Transport.

Housing & Community Amenities

Includes public cemeteries; public conveniences; town planning; streetscaping; council owned houses and other community amenities.

Recreation & Culture

Includes public libraries; open air art gallery; parks and reserves; sporting grounds and facilities; swimming pool and other sporting and recreational facilities.

Mining, Manufacturing & Construction

Includes building control, quarries and pits.

Transport & Communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, street lighting, road safety, works depot and aerodromes; RMS works and other.

Economic Affairs

Includes tourism and area promotion, industrial development promotion, private works, truck wash bay and other business undertakings.

General Purpose Revenues

Revenue from rates, untied grant funding, interest from investments.

Water Supplies

Water treatment services

Sewerage Services

Sewerage services

Walcha 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	454	443
Farmland	2,835	2,755
Mining	–	2
Business	114	111
Less: pensioner rebates (mandatory)	(33)	(34)
Rates levied to ratepayers	3,370	3,277
Pensioner rate subsidies received	19	18
Total ordinary rates	3,389	3,295
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	406	382
Water supply services	289	268
Sewerage services	327	327
Waste management services (non-domestic)	276	242
Less: pensioner rebates (mandatory)	(59)	(59)
Annual charges levied	1,239	1,160
Pensioner subsidies received:		
– Water	9	7
– Sewerage	9	7
– Domestic waste management	14	14
Total annual charges	1,271	1,188
TOTAL RATES AND ANNUAL CHARGES	4,660	4,483

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.

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	406	485
Sewerage services	120	96
Waste management services (non-domestic)	11	7
Total specific user charges	537	588
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	1	3
Planning and building regulation	33	23
Private works – section 67	185	315
Section 10.7 certificates (EP&A Act)	14	17
Section 603 certificates	1	1
Animal control	3	5
Total fees and charges – statutory/regulatory	237	364
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	3	5
Aged care	79	75
Cemeteries	29	43
Child care	173	138
Fire and emergency services levy (FESL) implementation	2	15
Gravel pits	52	25
Lease rentals	13	13
RMS (formerly RTA) charges (state roads not controlled by Council)	2,575	3,221
Swimming centres	28	27
Other	5	3
Total fees and charges – other	2,959	3,565
TOTAL USER CHARGES AND FEES	3,733	4,517

Accounting policy for user charges and fees

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

Walcha 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)	12	12
– Cash and investments	212	194
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>224</u>	<u>206</u>

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

Overdue rates and annual charges (general fund)	12	12
General Council cash and investments	189	165

Restricted investments/funds – external:

Water fund operations	9	9
Sewerage fund operations	14	20

Total interest and investment revenue

<u>224</u>	<u>206</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	13	10
Commissions and agency fees	72	70
Diesel rebate	48	67
Insurance claims recoveries	–	30
Recycling income (non-domestic)	57	29
Sales – general	14	11
Administration	28	13
Town planning	1	–
Other – staff FBT contribution	16	16
Other	89	29
Other - Natural Disaster Costs Reimbursement	551	–
<u>TOTAL OTHER REVENUE</u>	<u>889</u>	<u>275</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.

Walcha Council

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	1,187	1,048	–	–
Payment in advance - future year allocation				
Financial assistance	1,231	1,091	–	–
Total general purpose	2,418	2,139	–	–
Specific purpose				
Water supplies	77	100	–	–
Sewerage services	–	–	218	501
Bushfire and emergency services	47	198	–	40
Community care	3	3	–	–
Community centres	70	–	–	–
Economic development	30	–	59	32
Employment and training programs	86	6	–	–
Heritage and cultural	100	3	–	20
Library – per capita	25	26	–	–
LIRS subsidy	15	17	–	–
Recreation and culture	1,000	–	642	91
Street lighting	11	10	–	–
Transport (roads to recovery)	606	1,195	–	–
Transport (other roads and bridges funding)	–	1	814	237
Animal control	(6)	–	–	–
Preschool	437	486	457	218
Waste	1	3	–	23
WCCC (formerly HACCC)	312	298	–	–
Other	49	24	–	–
Total specific purpose	2,863	2,370	2,190	1,162
Total grants	5,281	4,509	2,190	1,162
Grant revenue is attributable to:				
– Commonwealth funding	4,235	3,641	353	119
– State funding	1,046	868	1,837	1,043
	5,281	4,509	2,190	1,162

Walcha 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					
Other contributions:					
Cash contributions					
Community services		–	5	–	–
Recreation and culture		–	–	30	31
RMS contributions (regional roads, block grant)		759	772	225	–
Tourism		12	–	–	–
Total other contributions – cash		771	777	255	31
Non-cash contributions					
Recreation and culture		–	–	11	–
Total other contributions – non-cash		–	–	11	–
Total other contributions		771	777	266	31
Total contributions		771	777	266	31
TOTAL GRANTS AND CONTRIBUTIONS		6,052	5,286	2,456	1,193

Accounting policy for grants and contributions

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

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

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

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

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

Operating grants

Unexpended at the close of the previous reporting period	298	253
Add: operating grants recognised in the current period but not yet spent	240	124
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(119)	(79)
Unexpended and held as restricted assets (operating grants)	419	298

Grants include \$125,056 unspent funding carried forward for Preschool, \$85,073 received from ACWSP for Water & Sewer trainee employed in May, \$65,894 Regional Cultural Funding for upgrade of Multi Purpose Centre at Walcha Central School. Plus \$143,228 assorted unspent grants.

Capital grants

Unexpended at the close of the previous reporting period	519	–
Add: capital grants recognised in the current period but not yet spent	562	519
Add: capital grants received for the provision of goods and services in a future period	–	–
Less: capital grants recognised in a previous reporting period now spent	(520)	–
Unexpended and held as restricted assets (capital grants)	561	519

Capital Grants include Stronger Countries Community Funding received for following projects not completed:

- Community Service Clubs Storage, \$35,909
 - Walcha Community Gym Upgrade, \$270,925
 - Walcha Swimming Pool Upgrade, \$114,639
- Drought Relief Heavy Vehicles Access Program \$103,870
Plus \$36,284 other unspent grants.

Contributions

Unexpended at the close of the previous reporting period	41	21
Add: contributions recognised in the current period but not yet spent	12	20
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	–	–
Unexpended and held as restricted assets (contributions)	53	41

Donations received for the Open Air Gallery, \$21,750. Sponsorship received for Rural Women's Gathering to be held in Walcha in November 2019, \$10,500

Walcha Council

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	4,402	4,259
Employee leave entitlements (ELE)	1,202	970
Superannuation – defined contribution plans	436	382
Superannuation – defined benefit plans	254	203
Workers' compensation insurance	134	80
Fringe benefit tax (FBT)	40	21
Training costs (other than salaries and wages)	112	104
Other	9	12
Total employee costs	6,589	6,031
Less: capitalised costs	(889)	(993)
TOTAL EMPLOYEE COSTS EXPENSED	5,700	5,038
Number of 'full-time equivalent' employees (FTE) at year end	80	73

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		29	35
Total interest bearing liability costs expensed		29	35
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	11	40	54
Total other borrowing costs		40	54
TOTAL BORROWING COSTS EXPENSED		69	89

Accounting policy for borrowing costs

Borrowing costs are expensed as they are incurred.

Walcha Council

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	4,339	6,906
Contractor and consultancy costs	5,881	3,580
Auditors remuneration ¹	54	43
Legal expenses:		
– Legal expenses: other	11	2
Total materials and contracts	<u>10,285</u>	<u>10,531</u>
Less: capitalised costs	(4,300)	(6,279)
TOTAL MATERIALS AND CONTRACTS	<u>5,985</u>	<u>4,252</u>

Accounting policy for operating leases

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

1. 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	54	42
Remuneration for audit and other assurance services	<u>54</u>	<u>42</u>
Total Auditor-General remuneration	<u>54</u>	<u>42</u>

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

Other audit and assurance services	–	1
Remuneration for audit and other assurance services	<u>–</u>	<u>1</u>
Total remuneration of non NSW Auditor-General audit firms	<u>–</u>	<u>1</u>
Total Auditor remuneration	<u>54</u>	<u>43</u>

Walcha Council

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		412	378
Office equipment		1	2
Furniture and fittings		4	5
Infrastructure:			
– Buildings – specialised		310	63
– Other structures		52	54
– Roads		1,502	1,392
– Bridges		185	172
– Footpaths		61	60
– Stormwater drainage		61	61
– Water supply network		316	317
– Sewerage network		124	123
Other assets:			
– Heritage collections		1	1
– Other		92	75
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9(a),11	59	59
– Quarry assets	9(a),11	7	7
Total gross depreciation and amortisation costs		3,187	2,769
Total depreciation and amortisation costs		3,187	2,769
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		3,187	2,769

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

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

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

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

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

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Bad and doubtful debts	1	2
Bank charges	11	11
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	4	5
– NSW fire brigade levy	14	14
– NSW rural fire service levy	162	360
– Library	63	63
– Sundry	30	25
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	92	89
Councillors' expenses (incl. mayor) – other (excluding fees above)	87	75
Electricity and heating	131	177
Fire and emergency services levy (FESL) implementation costs	–	(2)
Insurance	300	282
Noxious weeds	79	78
Postage	7	9
Printing and stationery	41	30
Rates and charges	144	158
Street lighting	42	35
Telephone and communications	51	61
Valuation fees	18	22
Total other expenses	1,303	1,519
<u>TOTAL OTHER EXPENSES</u>	<u>1,303</u>	<u>1,519</u>

Accounting policy for other expenses

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

Walcha Council

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)			
Less: carrying amount of property assets sold/written off		(460)	(57)
Net gain/(loss) on disposal		(460)	(57)
Plant and equipment			
	9(a)		
Proceeds from disposal – plant and equipment		195	290
Less: carrying amount of plant and equipment assets sold/written off		(182)	(262)
Net gain/(loss) on disposal		13	28
Infrastructure			
	9(a)		
Proceeds from disposal – infrastructure		–	251
Less: carrying amount of infrastructure assets sold/written off		–	(853)
Net gain/(loss) on disposal		–	(602)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(447)	(631)

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.

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	3,170	1,874
Total cash and cash equivalents	3,170	1,874

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.

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	4,724	–	7,329	–
Total Investments	<u>4,724</u>	<u>–</u>	<u>7,329</u>	<u>–</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>7,894</u>	<u>–</u>	<u>9,203</u>	<u>–</u>
Financial assets at amortised cost / held to maturity (2018)				
Term deposits	4,724	–	7,329	–
Total	<u>4,724</u>	<u>–</u>	<u>7,329</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.

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

(b) Held to maturity investments

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

(c) Loans and receivables

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

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

Recognition and de-recognition

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

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

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	7,894	–	9,203	–
attributable to:				
External restrictions	1,958	–	1,807	–
Internal restrictions	4,677	–	3,405	–
Unrestricted	1,259	–	3,991	–
	<u>7,894</u>	<u>–</u>	<u>9,203</u>	<u>–</u>

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	21	21
Specific purpose unexpended grants	981	818
Water supplies	314	336
Sewerage services	609	612
Public Art Donations	22	20
Other	11	–

External restrictions – other	<u>1,958</u>	<u>1,807</u>
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Total external restrictions	<u>1,958</u>	<u>1,807</u>
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Internal restrictions

Plant and vehicle replacement	1,453	986
Infrastructure replacement	1,570	807
Employees leave entitlement	757	607
Housing Investment	251	251
Landfills upgrade (Woolbrook and Nowendoc)	11	13
Mirani bus committee	–	347
Preschool	60	30
Quarries remediation	313	261
Tip site remediation	162	103
Project Development	100	–

Total internal restrictions	<u>4,677</u>	<u>3,405</u>
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TOTAL RESTRICTIONS	<u>6,635</u>	<u>5,212</u>
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Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	160	–	148	–
Interest and extra charges	11	–	10	–
User charges and fees	23	–	18	–
Accrued revenues				
– Other income accruals	885	–	1,817	–
General debtors	2,879	–	276	–
Net GST receivable	–	–	99	–
Prepayments	74	–	42	–
Total	4,032	–	2,410	–
Less: provision of impairment				
Other debtors	(4)	–	(5)	–
Total provision for impairment – receivables	(4)	–	(5)	–
TOTAL NET RECEIVABLES	4,028	–	2,405	–

Externally restricted receivables**Water supply**

– Rates and availability charges	32	–	26	–
– Other	17	–	14	–

Sewerage services

– Rates and availability charges	26	–	23	–
– Other	10	–	4	–

Total external restrictions	85	–	67	–
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Unrestricted receivables	3,943	–	2,338	–
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TOTAL NET RECEIVABLES	4,028	–	2,405	–
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\$ '000	2019	2018
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Movement in provision for impairment of receivables

Balance at the beginning of the year (calculated in accordance with AASB 139)	5	5
+ new provisions recognised during the year	–	1
– amounts already provided for and written off this year	(1)	(1)
Balance at the end of the period	4	5

Accounting policy for receivables**Recognition and measurement**

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

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

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.

Walcha Council

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
Inventories				
(i) Inventories at cost				
Stores and materials	268	–	217	–
Trading stock	483	–	473	–
Total inventories at cost	<u>751</u>	<u>–</u>	<u>690</u>	<u>–</u>
<u>TOTAL INVENTORIES</u>	<u>751</u>	<u>–</u>	<u>690</u>	<u>–</u>

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

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

Walcha Council

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

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

	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	1,707	–	1,707	–	2,338	–	–	(1,522)	–	–	–	2,523	–	2,523
Plant and equipment	5,941	(3,237)	2,704	833	209	(182)	(412)	–	–	–	–	6,477	(3,324)	3,153
Office equipment	122	(121)	1	–	3	–	(1)	11	–	–	–	136	(122)	14
Furniture and fittings	100	(78)	22	–	–	–	(4)	–	–	–	–	100	(82)	18
Land:														
– Operational land	2,571	–	2,571	–	–	–	–	58	(201)	–	–	2,428	–	2,428
– Community land	1,368	–	1,368	–	–	–	–	–	201	–	594	2,162	–	2,162
Infrastructure:														
– Buildings – specialised	10,062	(3,407)	6,655	48	–	(460)	(310)	32	–	–	–	9,609	(3,645)	5,964
– Other structures	2,348	(1,131)	1,217	169	–	–	(52)	86	–	–	–	2,603	(1,183)	1,420
– Roads	163,563	(31,907)	131,656	1,478	–	–	(1,502)	208	–	(39,210)	–	163,834	(71,202)	92,632
– Bridges ²	64,341	(19,849)	44,492	161	–	–	(185)	–	–	(8,797)	–	64,634	(28,963)	35,671
– Footpaths and other road assets	5,820	(1,914)	3,906	140	–	–	(61)	12	–	–	378	6,181	(1,807)	4,374
– Bulk earthworks (non-depreciable)	210,916	–	210,916	–	–	–	–	–	–	–	16,188	227,104	–	227,104
– Stormwater drainage	11,363	(2,077)	9,286	–	–	–	(61)	–	–	–	–	11,363	(2,138)	9,225
– Water supply network	21,624	(5,207)	16,417	113	–	–	(316)	–	–	–	258	22,083	(5,611)	16,472
– Sewerage network	10,594	(2,369)	8,225	–	350	–	(124)	1,077	–	–	130	12,191	(2,533)	9,658
Other assets:														
– Heritage collections	140	(53)	87	–	90	–	(1)	4	–	–	–	234	(54)	180
– Other	2,882	(1,224)	1,658	–	72	–	(92)	34	–	–	–	2,988	(1,315)	1,673
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
– Tip assets	1,213	(110)	1,103	–	–	–	(59)	–	–	–	–	1,213	(169)	1,044
– Quarry assets	418	(329)	89	–	–	–	(7)	–	–	–	–	418	(336)	82
Total Infrastructure, property, plant and equipment	517,093	(73,013)	444,080	2,942	3,062	(642)	(3,187)	–	–	(48,007)	17,548	538,281	(122,484)	415,797

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

(2) Balances at 30/06/17 and 30/06/18 have been restated

Walcha Council

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

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

\$ '000	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Increase rehabilitation provision	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	3,080	–	3,080	–	1,381	–	–	(2,754)	–	–	1,707	–	1,707
Plant and equipment	6,017	(3,297)	2,720	624	–	(262)	(378)	–	–	–	5,941	(3,237)	2,704
Office equipment	122	(119)	3	–	–	–	(2)	–	–	–	122	(121)	1
Furniture and fittings	95	(73)	22	5	–	–	(5)	–	–	–	100	(78)	22
Land:													
– Operational land	2,184	–	2,184	–	–	(57)	–	–	–	444	2,571	–	2,571
– Community land	1,368	–	1,368	–	–	–	–	–	–	–	1,368	–	1,368
Infrastructure:													
– Buildings – specialised	8,836	(5,371)	3,465	1	141	(111)	(63)	–	–	3,220	10,062	(3,407)	6,655
– Other structures	2,321	(1,077)	1,244	12	15	–	(54)	–	–	–	2,348	(1,131)	1,217
– Roads	160,650	(30,528)	130,122	1,911	–	–	(1,392)	1,018	–	–	163,563	(31,907)	131,656
– Bridges ²	62,916	(20,241)	42,675	–	1,039	(742)	(172)	1,692	–	–	64,341	(19,849)	44,492
– Footpaths	5,743	(1,841)	3,902	–	60	–	(60)	–	–	–	5,820	(1,914)	3,906
– Bulk earthworks (non-depreciable)	210,622	–	210,622	294	–	–	–	–	–	–	210,916	–	210,916
– Stormwater drainage	11,339	(2,016)	9,323	–	24	–	(61)	–	–	–	11,363	(2,077)	9,286
– Water supply network	21,117	(4,783)	16,334	61	–	–	(317)	–	–	338	21,624	(5,207)	16,417
– Sewerage network	10,334	(2,197)	8,137	43	–	–	(123)	–	–	169	10,594	(2,369)	8,225
Other assets:													
– Heritage collections	141	(51)	90	–	–	–	(1)	–	–	–	140	(53)	87
– Other	2,548	(1,148)	1,400	–	289	–	(75)	44	–	–	2,882	(1,224)	1,658
Reinstatement, rehabilitation and restoration assets (refer Note 14):													
– Tip assets	214	(192)	22	–	–	–	(59)	–	1,140	–	1,213	(110)	1,103
– Quarry assets	417	(322)	95	–	–	–	(7)	–	–	–	418	(329)	89
Total Infrastructure, property, plant and equipment	510,064	(73,256)	436,808	2,951	2,949	(1,172)	(2,769)	–	1,140	4,171	517,093	(73,013)	444,080

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

(2) Balances at 30/06/17 and 30/06/18 have been restated

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	10 to 20
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	3 to 5	Buildings	
Heavy plant/road making equipment	5 to 10	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	100	Culverts	50 to 80
Bores	20 to 40	Flood control structures	80 to 100
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	75		
Pumps and telemetry	15 to 30		
Water Meters	10		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	Infinite
Sealed roads: surface	15 to 70	Swimming pools	60
Sealed roads: structure	50 to 120		
Unsealed roads	20 to 50		
Bridge: concrete	100		
Bridge: other	60		
Road pavements	60		
Kerb, gutter and footpaths	100		

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 on the income statement.

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

These Rural Fire Service assets comprising land, buildings and plant are recognised as assets of the Council in these financial statements.

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	1	–	1	–	–	–
Land						
– Operational land	394	–	394	394	–	394
Buildings	219	69	150	219	66	153
Infrastructure	22,083	5,611	16,472	21,624	5,207	16,417
Total water supply	22,697	5,680	17,017	22,237	5,273	16,964
Sewerage services						
WIP	12	–	12	1,147	–	1,147
Land						
– Operational land	259	–	259	201	–	201
Buildings	137	43	94	137	39	98
Infrastructure	12,191	2,533	9,658	10,594	2,369	8,225
Total sewerage services	12,599	2,576	10,023	12,079	2,408	9,671
Domestic waste management						
Land						
– Community land	148	–	148	–	–	–
Buildings	296	45	251	296	38	258
Other structures	241	62	179	163	54	109
Other assets	175	5	170	136	2	134
Total DWM	860	112	748	595	94	501
Other restricted assets						
Stormwater drainage	11,363	2,138	9,225	11,363	2,077	9,286
Total other restrictions	11,363	2,138	9,225	11,363	2,077	9,286
TOTAL RESTRICTED I,PP&E	47,519	10,506	37,013	46,274	9,852	36,422

Walcha Council

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	1,357	63	334	45
Accrued expenses:				
– Other expenditure accruals	430	–	523	–
ATO – net GST payable	88	–	–	–
Total payables	1,875	63	857	45
Income received in advance				
Payments received in advance	39	–	47	–
Total income received in advance	39	–	47	–
Borrowings				
Loans – secured ¹	79	309	74	388
Total borrowings	79	309	74	388
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>1,993</u>	<u>372</u>	<u>978</u>	<u>433</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	12	75	16	84
Payables and borrowings relating to externally restricted assets	12	75	16	84
Total payables and borrowings relating to restricted assets	12	75	16	84
Total payables and borrowings relating to unrestricted assets	1,981	297	962	349
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>1,993</u>	<u>372</u>	<u>978</u>	<u>433</u>

Walcha Council

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					as at 30/6/2019	
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance	
Loans – secured	462	(74)	–	–	–	388	
TOTAL	462	(74)	–	–	–	388	

\$ '000	as at 30/6/2017					as at 30/6/2018	
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance	
Loans – secured	533	(71)	–	–	–	462	
TOTAL	533	(71)	–	–	–	462	

\$ '000	2019	2018
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(c) Financing arrangements

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

Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	48	48
Total financing arrangements	248	248

Undrawn facilities as at balance date:

– Bank overdraft facilities	200	200
– Credit cards/purchase cards	48	48
Total undrawn financing arrangements	248	248

Additional financing arrangements information

Breaches and defaults

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Walcha Council

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	578	–	521	–
Long service leave	1,442	92	1,283	82
Time in lieu	82	–	72	–
Rostered day off	6	–	8	–
Sub-total – aggregate employee benefits	<u>2,108</u>	<u>92</u>	<u>1,884</u>	<u>82</u>
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	2,216	–	2,176
Sub-total – asset remediation/restoration	<u>–</u>	<u>2,216</u>	<u>–</u>	<u>2,176</u>
<u>TOTAL PROVISIONS</u>	<u>2,108</u>	<u>2,308</u>	<u>1,884</u>	<u>2,258</u>

(a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

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

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

Provisions – employees benefits	<u>1,406</u>	<u>1,237</u>
	<u>1,406</u>	<u>1,237</u>

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

(c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2019				
At beginning of year	521	1,365	80	1,966
Additional provisions	360	157	17	534
Amounts used (payments)	(318)	(94)	(9)	(421)
Remeasurement effects	15	102	–	117
Other	–	4	–	4
Total ELE provisions at end of period	578	1,534	88	2,200
2018				
At beginning of year	488	1,196	84	1,768
Additional provisions	347	170	12	529
Amounts used (payments)	(325)	(23)	(16)	(364)
Remeasurement effects	11	22	–	33
Total ELE provisions at end of period	521	1,365	80	1,966

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	2,176	2,176
Unwinding of discount	40	40
Total other provisions at end of period	2,216	2,216
2018		
At beginning of year	982	982
Additional provisions	1,140	1,140
Unwinding of discount	54	54
Total other provisions at end of period	2,176	2,176

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

Restoration

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

Rehabilitation

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

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

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

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

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

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

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Nature of prior-period error

Infrastructure - Bridges

During 2019 Council revalued all its Roads, Bridges and other Road Assets. As part of that process Council identified as separate assets 2581 minor culverts that had not previously been recognised in the asset register. The total replacement cost of the culverts is \$27,249,274 with accumulated depreciation of \$17,259,690. The net adjustment is \$9,989,584.

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

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

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Infrastructure, property, plant and equipment	426,819	9,990	436,809
Total assets	439,304	9,990	449,294
Total liabilities	4,302	–	4,302
Accumulated surplus	145,865	9,990	155,855
Revaluation reserves	289,137	–	289,137
Total equity	435,002	9,990	444,992

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

Statement of Financial Position

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Infrastructure, property, plant and equipment	434,090	9,990	444,080
Total assets	446,388	9,990	456,378
Total liabilities	5,553	–	5,553
Accumulated surplus	147,527	9,990	157,517
Revaluation reserves	293,308	–	293,308
Total equity	440,835	9,990	450,825

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017.

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

Classification of financial assets

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

- measured at amortised cost

There is no impact to the financial statements as a result of adopting AASB 9.

Walcha Council

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)	3,170	1,874
Balance as per the Statement of Cash Flows		3,170	1,874
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,323	1,662
Adjust for non-cash items:			
Depreciation and amortisation		3,187	2,769
Net losses/(gains) on disposal of assets		447	631
Losses/(gains) recognised on fair value re-measurements through the P&L:			
Increase tip rehabilitataion provision		–	(1,140)
Unwinding of discount rates on reinstatement provisions		40	54
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,622)	70
Increase/(decrease) in provision for impairment of receivables		(1)	–
Decrease/(increase) in inventories		(61)	137
Increase/(decrease) in payables		1,041	(186)
Increase/(decrease) in other accrued expenses payable		(93)	127
Increase/(decrease) in other liabilities		80	(11)
Increase/(decrease) in provision for employee benefits		234	198
Increase/(decrease) in other provisions		–	1,140
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		4,575	5,451

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

Note 14. Interests in other entities

Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

NAME OF ENTITY/OPERATION	PRINCIPAL ACTIVITY /TYPE OF ENTITY
New England Weeds Authority (NEWA)	Control of noxious weeds throughout the New England Region
Reason for non-recognition Walcha Council contributed \$79,334 to NEWA's operation in 2018-2019, along with Uralla Shire Council. Armidale Regional Council contributed \$196,303 and Glen Innes Severn 94,760. NEWA is an autonomous organisation with its board of directors made up of councillors from each constituent council. Walcha Council exercises no direct control over the Authority.	
Central Northern Regional Libraries (CNRL)	Provides library services to Tamworth, Narrabri, Liverpool Plains, Uralla and Walcha Councils
Reason for non-recognition Walcha Council contributed \$63,016 to CNRL in 2019. CNRL is managed by Tamworth Regional Council and Walcha Council has no control over the organisation.	
Statewide Limited	Provides insurance cover to Local Government
Reason for non-recognition Walcha Council is a member but has no control over the organisation, although Council is represented on the board by its General Manager.	
StateCover Limited	Provides Workers Compensation to Local Government
Reason for non-recognition Walcha Council is a member of StateCover and has no control over the organisation.	
Namoi Joint Organisation	Resolve issues of regional importance through Council collaboration.
Reason for non-recognition Walcha Council paid a membership of \$33,000 in 2019 and is one of five member councils. Other members are Gunnedah, Gwydir, Liverpool Plains and Tamworth. Walcha has no control over the organisation and no financial investment.	

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	33	–
Plant and equipment	161	676
Roads	135	–
Water Services	71	–
Sewer Services	39	–
Total commitments	439	676
These expenditures are payable as follows:		
Within the next year	439	676
Total payable	439	676
Sources for funding of capital commitments:		
Unrestricted general funds	406	676
Externally restricted reserves	33	–
Total sources of funding	439	676

Details of capital commitments

To fund plant purchases and capital works in progress as at 30 June 2019.

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

Within the next year	60	60
Later than one year and not later than 5 years	62	121
Total non-cancellable operating lease commitments	122	181

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

Council has an operating lease for a number of printer/photocopiers. The lease ends in July 2021.

Council leases office space at Walcha Hospital and shop space in the CBD. The current leases end in November 2021 and March 2021.

Conditions relating to finance and operating leases:

– All finance agreements are secured only against the leased asset.

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised

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

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

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	1.96 times employee contributions for non-180 Point Members; Nil for 180 Point Member
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 to 30 June 2019 apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2019.

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.

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. 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 \$253,910.48. 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.

The amount of additional contributions included in the total employer contribution advised above is \$163,000. Council's expected contribution to the plan for the next annual reporting period is \$204,797.48.

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 the scheme surplus that is broadly attributed to Council is 0.20%.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Risk management

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

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

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

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

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

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

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

The risks associated with the instruments held are:

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	47	47	(47)	(47)
2018				
Possible impact of a 1% movement in interest rates	73	73	(73)	(73)

(b) Credit risk

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

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

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

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	–	110	25	25	–	160
2018						
Gross carrying amount	–	108	18	22	–	148

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	2,810	1,009	2	–	51	3,872
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2018						
Gross carrying amount	2,199	1	3	1	58	2,262
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. 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	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	–	1,875	63	–	1,938	1,938
Borrowings	5.70%	–	100	345	–	445	388
Total financial liabilities		–	1,975	408	–	2,383	2,326
2018							
Trade/other payables	0.00%	–	857	45	–	902	902
Borrowings	5.70%	–	100	385	60	545	462
Total financial liabilities		–	957	430	60	1,447	1,364

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 27/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	4,837	4,660	(177)	(4)% U
Interest and investment revenue	141	224	83	59% F
Budgeted interest was very conservative due to expected drop in interest rates. Council was able to keep its funds in term deposits for longer periods to take advantage of slightly better rates.				
Other revenues	221	889	668	302% F
Severe storm damage in December 2018 resulted in Council being eligible for Natural Disaster Recovery Funding. Reimbursement of clean up costs as at June 2019 is expected to be \$551,318 Council received an incentive payment that was not included in the budget \$16,485 Reimbursement of materials for Walcha Showground Function Centre \$45,182 Sales of iron, steel and batteries yielded \$42,182, exceeding budgeted sales by \$27,322. Truck Wash Bay revenue budget was conservative, the actual amount received was \$17,733 higher than expected.				
Operating grants and contributions	4,979	6,052	1,073	22% F
Additional FAGS amount was \$229,873. Council received \$1,000,000 from Drought Communities Program to fund upgrades to Walcha Showgrounds Function Centre and various village projects. \$100,000 was received for Heritage Near Me and \$48,616 for Crown Lands Management. Water Fund received \$77,084 for water supply feasibility study and \$86,055 for ACWSP trainee				
Capital grants and contributions	1,750	2,456	706	40% F
Stronger Country Communities Funding (SCCF) - milestone payments were received for the following projects: - \$308,751 Community Gym Upgrade - \$216,584 Sporting Facilities & Oval Upgrades - \$127,653 Swimming Pool Upgrade \$300,000 was received for Drought Relief Heavy Vehicles Access Program Sewer Treatment Plant upgrade works received milestone payments of \$218,107 (carry over work from 2018) Funding not received in 2019 but included in the budget -\$622,818, work in progress will carry over to 2020 Council also received Black Spot funding \$79,225 and Saving Lives on Country Roads \$225,333 for upgrades works to Regional Roads.				
Net gains from disposal of assets	81	-	(81)	100% U
Council realised \$13,000 profit on sale of plant & equipment which is much less than budgeted.				

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	4,446	5,700	(1,254)	(28)% U
Leave costs were \$334,724 higher than expected due to extended sick leave, maternity leave and increasing leave provisions. Superannuation, FBT, Workers Compensation Insurance were \$48,674 higher than budget. Operating overtime costs were unusually high at \$205,019. In addition FTE employee numbers increased from 73 in 2018 to 80 in 2019 adding an extra \$80,104 to the wages cost. Carry over works and additional roads maintenance added approximately \$670,000 in wage expenses.				
Borrowing costs	61	69	(8)	(13)% U
Tips remediation was \$22,234 greater than budgeted due to an increase in the provision after the budget was set. Quarries remediation as \$13,373 less than forecast.				
Materials and contracts	4,268	5,985	(1,717)	(40)% U
DCP funded projects contractor fees were \$1,056,126 Contractor fees to cover maternity leave totalled \$139,551 Storm Damage costs \$468,150				
Depreciation and amortisation	2,574	3,187	(613)	(24)% U
Building Revaluations in 2018 removed residual values resulting in an increase of \$230,000 Large capital works program in Roads & Bridges has resulted in depreciation \$239,331 higher than budget Sewer depreciation budget was set too low in error resulting in \$67,971 budget variance Plant & equipment depreciation is \$35,673 higher than budgeted				
Other expenses	1,417	1,303	114	8% F
Net losses from disposal of assets	-	447	(447)	∞ U
The preschool building was demolished for construction of a new building which is underway.				
STATEMENT OF CASH FLOWS				
Net cash provided from (used in) operating activities	5,349	4,575	(774)	(14)% U
Increased employee, materials and contractors costs were mainly offset by increased grant funding.				
Net cash provided from (used in) investing activities	(5,837)	(3,205)	2,632	(45)% F
\$2,605k for purchase of investment securities is not included in budget. Not all plant that was intended to be sold was sent to auction, budget variance of \$249k. Capital works project not completed in 2019 \$277K				
Net cash provided from (used in) financing activities	(74)	(74)	-	0% F

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2019	Notes	Fair value measurement hierarchy			Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
	9(a)				
Plant & equipment			–	–	3,153
Office equipment			–	–	14
Furniture & fittings			–	–	18
Operational land		30/06/18	–	–	2,428
Community land		30/06/19	–	–	2,162
Buildings specialised		30/06/18	–	–	5,964
Other structures		30/06/16	–	–	1,420
Roads		30/06/19	–	–	92,632
Bridges ¹		30/06/19	–	–	35,671
Footpaths & other road assets		30/06/19	–	–	4,374
Bulk earth works		30/06/19	–	–	227,104
Stormwater		30/06/15	–	–	9,225
Water		30/06/17	–	–	16,472
Sewer		30/06/17	–	–	9,658
Heritage		30/06/16	–	–	180
Other assets		30/06/17	–	–	1,673
Tip		30/06/18	–	–	1,044
Quarry		30/06/16	–	–	82
Work in progress			–	–	2,523
Total infrastructure, property, plant and equipment			–	–	415,797

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9(a)					
Plant & equipment			–	–	2,704	2,704
Office equipment			–	–	1	1
Furniture & fittings			–	–	22	22
Operational land		30/06/18	–	–	2,571	2,571
Community land		30/06/16	–	–	1,368	1,368
Buildings specialised		30/06/18	–	–	6,655	6,655
Other structures		30/06/16	–	–	1,217	1,217
Roads		30/06/14	–	–	131,656	131,656
Bridges ¹		30/06/14	–	–	44,492	44,492
Footpaths & other road assets		30/06/14	–	–	3,906	3,906
Bulk earth works		30/06/14	–	–	210,916	210,916
Stormwater		30/06/15	–	–	9,286	9,286
Water		30/06/17	–	–	16,417	16,417
Sewer		30/06/17	–	–	8,225	8,225
Heritage		30/06/16	–	–	87	87
Other assets		30/06/16	–	–	1,658	1,658
Tip		30/06/16	–	–	1,103	1,103
Quarry		30/06/16	–	–	89	89
Work in progress			–	–	1,707	1,707
Total infrastructure, property, plant and equipment			–	–	444,080	444,080

(1) 2018 balances have been restated

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

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

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

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

Infrastructure, property, plant and equipment (IPP&E)**Plant & Equipment, Office Equipment & Furniture & Fittings**

These assets are valued at cost, but are disclosed at fair value in the notes; the carrying amount of these assets is assumed to be approximate Fair Value due to the nature of the assets. Examples of assets within these classes are as follows:

- Plant & equipment: Graders, Trucks, Rollers, Tractors and Motor Vehicles.
- Office Equipment: Computers, Photocopiers etc.
- Furniture & Fittings: Chairs, Desks etc.

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

Community Land

Community Land is based on the land value provided by the Valuer General.

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

Operational Land

Operational Land assets were valued by professionally qualified Registered Valuers - Scott Fullarton Valuations. Level 2 inputs were used to value land held in freehold title and those with special use, which are restricted under the zoning objectives. Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre. There are also parks, reserves and other special use parcels where there was no observable market evidence. This land was valued utilising Level 3 inputs, with the valuer using professional judgement to adjust the rate per square metre from the sales evidence available.

Buildings - Non Specialised

Specialised assets were valued utilising the cost approach by professionally qualified Registered Valuers - Scott Fullarton Valuations. The approach estimated the replacement cost of each building/other structure and componentising of significant parts of specific buildings with different useful lives and taking into account a range of factors. Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other inputs (such as estimates of useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued utilising Level 3 inputs.

Other Structures

Other Structures are assets that do not fit the definition of buildings. They include swimming pools, fencing and playgrounds. Other Structures have been revalued internally by Council's Engineering Department either using unit rate calculations where the asset is easily componentised, or by applying an index rate to the valuation provided by Scott Fullarton Valuations in December 2012. As these values were not considered to contain observable market evidence they have been classified as Level 3 and have been valued using the gross replacement cost method. Replacement cost has been formulated based upon the substantial analysis of construction costs from over 120 councils throughout NSW and based on the age of the assets as Council believes it is not materially different to condition assessment.

Roads

Roads revaluations have been conducted internally by Council's Engineering Department. Sealed roads have been segmented into like behaving lengths of road and componentised into the base pavement and the surface seal. Unsealed roads have only the base pavement component. Replacement costs are based upon actual costs on recent projects and Rawlinsons Reference Rates where applicable. Condition assessment has been completed in two phases, through intentional physical inspection taking photographic evidence of a portion of the network for valuation. Thereby a representative sample was chosen based on the Engineering Department's experience and knowledge of the road network. Additionally limitations exist in the sporadic nature of unsealed roads condition as such council has condition assessed these roads using an aged based approach.

Useful lives has been set using Council's knowledge of how the road network behaves with consideration given to the quality of inputs used including gravel and bitumen and the specific weather and traffic conditions that impact upon the Council area.

Bulk Earthworks

Bulk Earthworks consist of cuttings, fill and levelling of earth and rocks. The valuation was completed internally and based replacement cost on Rawlinsons Reference Rates. As there had been no earthwork construction since the previous revaluation in 2014, the 2019 revaluation indexed the data already available by the IPWEA indices to come up with a replacement cost.

Council has determined that bulk earthworks have infinite useful lives.

Footpaths & Other road Assets

Footpaths and other road assets includes footpaths, kerb & guttering, roundabouts and other minor road furniture assets. They have been valued internally by Council's Engineering Department. Given the small size of the network, all footpaths, kerb & guttering and other road assets were physically inspected and photographic evidence was obtained. This formed the basis of the condition assessment. Useful lives were determined with consideration to the previous revaluation and based on Council's knowledge of the behaviour of other concrete assets.

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

Bridges

Bridges have been valued internally by Council's Engineering Department and have been componentised into girder, corbel, deck, headstock, pile, abutment, kerb log and hand rail.

To ensure completeness of data the Authority Asset Management software was utilised as a starting point for conducting the revaluation. Council staff physically inspected all bridges to ensure the accuracy of data that was input into the Asset Management System. Condition was determined based on these inspections. Each bridge was given a condition rating in accordance with the methodology in the IPWEA (NSW) Bridge Guide, 2009. Replacement costs were based upon recently completed bridge projects in the Council area. Council determined timber bridges replacement cost based upon the cost to replace with their modern equivalent, judgementally determined to be either a concrete bridge or concrete culvert.

Useful lives for timber bridges were based on research by Peter J Yttrup (1996) contained in the IPWEA Bridge Guide. Condition ratings for concrete bridges were set based upon Council's own knowledge and experience of the bridge network and in conjunction with the Local Government Assets Accounting Manual.

Stormwater Drainage

Drainage assets comprise pits, culverts, open channels, headwalls and various types of quality devices used to collect store and remove stormwater. The cost approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. First principles estimating accompanied by actual Council costs were utilised in determining the current stormwater assets value. These values were deemed to be in line with the Rawlinson Reference Rates.

Water Network

Water assets (other than the Water Treatment Plant) were valued internally by Council's Engineering Department. Assets in this class include reservoirs, pumping stations and water pipelines. Condition assessment was undertaken in 2 distinct ways. For above ground assets a visual assessment in accordance with the Visual Assessment Manual published by New Zealand Water and Waste Association was conducted. For underground pipes, due to the inability to visually inspect them the assessment was based upon frequency of breakages and maintenance. This forms an inherent limitation on the data obtained. Replacement costs were calculated based on First Principles, previous costs and the Reference Rates Manual. Useful lives were set based on Reference Rates and comparison with other councils as detailed within the methodology documentation.

The Water Treatment Plant was valued by JRA using Level 3 inputs because there is no market for these infrastructure assets. There are no residual values for these assets for the same reason.

Sewer Network

Sewer assets (other than the Sewer Treatment Plant) were valued internally by Council's Engineering Department. Assets in this class include treatment works, pumping stations and sewer mains. Condition assessment was undertaken in 2 distinct ways. For above ground assets a visual assessment in accordance with the Visual Assessment Manual published by New Zealand Water and Waste Association was conducted. For underground pipes a representative sample was inspected using CCTV and the condition rating was applied across the sewer network and detailed in the methodology documentation. Replacement costs were calculated based on First Principles, previous costs and the Reference Rates Manual. Useful lives were set based on Reference Rates and comparison with other councils as detailed within the methodology documentation.

The Sewer Treatment Plant was valued by JRA using Level 3 inputs because there is no market for these infrastructure assets. There are no residual values for these assets for the same reason.

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

\$ '000	Plant and Equipment	Office equipment	Furniture and fittings	Operational Land	Community Land
2018					
Opening balance	2,720	3	22	2,184	1,368
Purchases (GBV)	624	–	5	–	–
Disposals (WDV)	(262)	–	–	(57)	–
Depreciation and impairment	(378)	(2)	(5)	–	–
FV gains – Income Statement ¹	–	–	–	444	–
Closing balance	2,704	1	22	2,571	1,368
2019					
Opening balance	2,704	1	22	2,571	1,368
Transfers from/(to) another asset class	–	–	–	(201)	201
Purchases (GBV)	1,043	14	–	58	–
Disposals (WDV)	(182)	–	–	–	–
Depreciation and impairment	(412)	(1)	(4)	–	–
Revaluation	–	–	–	–	593
Closing balance	3,153	14	18	2,428	2,162

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

\$ '000	Buildings specialised	Other structures	Roads	Bridges ²	Footpaths and other
2018					
Opening balance	3,465	1,244	130,122	42,676	3,902
Purchases (GBV)	142	27	2,927	2,730	62
Disposals (WDV)	(110)	–	–	(742)	–
Depreciation and impairment	(62)	(54)	(1,393)	(172)	(58)
Revaluation	3,220	–	–	–	–
Closing balance	6,655	1,217	131,656	44,492	3,906
2019					
Opening balance	6,655	1,217	131,656	44,492	3,906
Purchases (GBV)	79	254	1,687	161	151
Disposals (WDV)	(460)	–	–	–	–
Depreciation and impairment	(310)	(51)	(1,501)	(185)	(61)
Revaluation	–	–	(39,210)	(8,797)	378
Closing balance	5,964	1,420	92,632	35,671	4,374

(2) 2018 opening and closing balances have been restated

\$ '000	Bulk earthworks	Stormwater	Water	Sewer	Heritage
2018					
Opening balance	210,622	9,323	16,335	8,137	90
Purchases (GBV)	294	24	61	43	–
Depreciation and impairment	–	(61)	(317)	(124)	(3)

continued on next page ...

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Bulk earthworks	Stormwater	Water	Sewer	Heritage
Revaluation	–	–	338	169	–
Closing balance	210,916	9,286	16,417	8,225	87
2019					
Opening balance	210,916	9,286	16,417	8,225	87
Purchases (GBV)	–	–	113	1,427	94
Depreciation and impairment	–	(61)	(316)	(124)	(1)
Revaluation	16,188	–	258	130	–
Closing balance	227,104	9,225	16,472	9,658	180

\$ '000	Other	WIP	Tip	Quarry	Total
2018					
Opening balance	1,401	3,080	22	95	436,811
Transfers from/(to) another asset class	–	(2,754)	–	–	(2,754)
Purchases (GBV)	332	1,381	–	–	8,652
Disposals (WDV)	–	–	–	–	(1,171)
Depreciation and impairment	(75)	–	(59)	(6)	(2,769)
Revaluation	–	–	–	–	3,727
Increase rehabilitation provision	–	–	1,140	–	1,140
Closing balance	1,658	1,707	1,103	89	444,080
2019					
Opening balance	1,658	1,707	1,103	89	444,080
Transfers from/(to) another asset class	–	(1,522)	–	–	(1,522)
Purchases (GBV)	107	2,338	–	–	7,526
Disposals (WDV)	–	–	–	–	(642)
Depreciation and impairment	(92)	–	(59)	(7)	(3,185)
Revaluation	–	–	–	–	(30,460)
Closing balance	1,673	2,523	1,044	82	415,797

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.

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant and equipment	3,153	Cost approach	- Current replacement cost of modern equivalent asset - Remaining useful life - Residual value
Office equipment	14	Cost approach	- Current replacement cost of modern equivalent asset - Remaining useful life
Furniture and fittings	18	Cost approach	- Current replacement cost of modern equivalent asset - Remaining useful life

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Operational Land	2,428	Market approach	- Similar local property prices - Alternative use
Community Land	2,162	Land values from NSW Valuer-General	- Unimproved capital value based on land value and land area
Buildings specialised	5,268	Cost approach - (depreciated replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Other structures	1,420	Cost approach - (depreciated replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Roads	92,632	Unit rates per square metre	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Bridges	35,671	Cost approach - (depreciated replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Footpaths & other road assets	4,374	Cost approach - (depreciated replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Bulk earthworks	227,104	Unit rates per square metre	- Current replacement cost of modern equivalent asset
Stormwater	9,225	Unit rates per square metre	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Water	16,472	Cost approach - (replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Sewer	9,658	Cost approach - (replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Heritage	180	Cost approach	- Current replacement cost of modern equivalent asset - Remaining useful life
Other	1,673	Cost approach	- Current replacement cost of modern equivalent asset - Remaining useful life
Tips	1,044	Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes
Quarry	82	Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes

(4) Highest and best use

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

Walcha Council

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

Note 19. Fair Value Measurement (continued)

Walcha Council

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

Note 20. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	603	587
Post-employment benefits	76	68
Total	679	655

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related Party Transactions (continued)

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2019						
Rent for office space	1	12	–	7 days	–	–
Landscaping works	2	57	–	7 days	–	–
Employee expenses relating to close family members	3	235	–	7 days	–	–
2018						
Rent for office space	1	11	–	7 days	–	–
Landscaping works	2	16	–	7 days	–	–
Employee expenses relating to close family members	3	208	–	7 days	–	–

1 Council pays rent to a local real estate agent for office space. The principal is a related party to a KMP. The office is owned by an interstate company.

2 Council contracts to a local company for tree-removal and other services. The company has a KMP as a director. All transactions are at arms length and major jobs are quoted on.

3 Close family members are employed by Council under the Local Government Award. All were employed on an arms length basis. There are two close family members currently employed by Council.

Walcha 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 significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

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

Summary of contributions and levies

	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Roads	21	-	-	-	-	-	21	-
S7.11 contributions – under a plan	21	-	-	-	-	-	21	-
Total S7.11 and S7.12 revenue under plans	21	-	-	-	-	-	21	-
Total contributions	21	-	-	-	-	-	21	-

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 1

Roads	21	-	-	-	-	-	21	-
Total	21	-	-	-	-	-	21	-

Walcha Council

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	4,059	282	319
User charges and fees	3,158	440	135
Interest and investment revenue	197	11	16
Other revenues	885	2	2
Grants and contributions provided for operating purposes	5,889	120	43
Grants and contributions provided for capital purposes	2,238	–	218
Total income from continuing operations	16,426	855	733
Expenses from continuing operations			
Employee benefits and on-costs	5,271	241	188
Borrowing costs	65	4	–
Materials and contracts	5,459	366	160
Depreciation and amortisation	2,739	320	128
Other expenses	1,144	130	29
Net losses from the disposal of assets	447	–	–
Total expenses from continuing operations	15,125	1,061	505
Operating result from continuing operations	1,301	(206)	228
Net operating result for the year	1,301	(206)	228
Net operating result attributable to each council fund	1,301	(206)	228
Net operating result for the year before grants and contributions provided for capital purposes	(937)	(206)	10

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.

Walcha Council

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	2,247	314	609
Investments	4,724	–	–
Receivables	3,943	49	36
Inventories	751	–	–
Total current assets	11,665	363	645
Non-current assets			
Infrastructure, property, plant and equipment	388,757	17,017	10,023
Total non-current assets	388,757	17,017	10,023
TOTAL ASSETS	400,422	17,380	10,668
LIABILITIES			
Current liabilities			
Payables	1,875	–	–
Income received in advance	36	3	–
Borrowings	70	9	–
Provisions	2,108	–	–
Total current liabilities	4,089	12	–
Non-current liabilities			
Payables	63	–	–
Borrowings	234	75	–
Provisions	2,308	–	–
Total non-current liabilities	2,605	75	–
TOTAL LIABILITIES	6,694	87	–
Net assets	393,728	17,293	10,668
EQUITY			
Accumulated surplus	149,392	6,081	3,368
Revaluation reserves	244,336	11,212	7,301
Council equity interest	393,728	17,293	10,669
Total equity	393,728	17,293	10,669

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

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

Details of individual internal loans	Internal Loan 1
Borrower (by purpose)	Water Fund
Lender (by purpose)	General Fund
Date Raised	1/10/2016
Term (years)	10
Date of maturity	30/06/2027
Rate of interest	5%
Amount originally raised	\$100,000
Total repaid during the year (principal and interest)	\$12,770
Principal outstanding at 30 June 2019	\$83,766

Walcha Council

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}	(686)				
Total continuing operating revenue excluding capital grants and contributions ¹	15,558	(4.41)%	7.45%	16.66%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	9,455				
Total continuing operating revenue ¹	18,014	52.49%	59.12%	50.32%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions	10,630				
Current liabilities less specific purpose liabilities	2,683	3.96x	6.48x	6.36x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2,570				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	143	17.97x	24.74x	38.27x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	171				
Rates, annual and extra charges collectible	4,779	3.58%	3.43%	3.35%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	7,894				
Monthly payments from cash flow of operating and financing activities	1,089	7.25 mths	9.65 mths	10.60 mths	>3.00 mths

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

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

Walcha 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}	(3.46)%	9.73%	(23.95)%	(17.34)%	1.94%	(11.88)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	50.21%	58.16%	85.98%	87.95%	64.39%	46.31%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.96x	6.48x	30.25x	23.50x	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	16.64x	25.28x	29.75x	13.08x	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.09%	2.70%	0.00%	10.32%	0.00%	7.40%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	6.40	9.58	∞	5.52	∞	19.64	>3.00
Payments from cash flow of operating and financing activities	mths	mths		mths		mths	mths

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

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

Walcha Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Council information and contact details

Principal place of business:

2W Hamilton Street
Walcha NSW 2354

Contact details**Mailing Address:**

PO Box 2
Walcha NSW 2354

Telephone: 02 6774 2500

Facsimile: 02 6777 1181

Opening hours:

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

Internet: www.walcha.nsw.gov.au

Email: council@walcha.nsw.gov.au

Officers**General Manager**

Jack O'Hara

Responsible Accounting Officer

Rosemary Strobel

Auditors

Audit Office NSW
Level 19, Darling Park Tower 2
201 Sussex St
Sydney NSW 2000

Elected members**Mayor**

Eric Noakes

Councillors

Clr Peter Blomfield
Clr Kevin Ferrier
Clr Bill Heazlett
Clr Jennifer Kealey
Clr Scott Kermode
Clr Clint Lyon
Clr Rachael Wellings

Other information

ABN: 24 780 320 847



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

To the Councillors of Walcha Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

21 October 2019
SYDNEY

Cr Eric Noakes
Mayor
Walcha Council
PO BOX 2
WALCHA NSW 2354

Contact: Chris Harper
Phone no: 02 9275 7374
Our ref: D1924603/1800

21 October 2019

Dear Mayor Noakes

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

During the 2018–19 asset revaluation process Council identified \$10 million of culverts not previously capitalised. Given the significant value of the assets it was decided to restate the prior period results and provide disclosure of the correction in accordance with AASB 108 'Accounting policies, changes in accounting estimates and errors'.

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	4.7	4.5	↑ 4.4
Grants and contributions revenue	8.5	6.5	↑ 30.8
Operating result for the year	1.3	1.7	↓ 23.5
Net operating result before capital grants and contributions	(1.1)	0.5	↓ 320

Council's operating result of \$1.3 million was \$400,000 lower than 2017–18. This was mainly due to increases in grants and contribution income and rate peg increases being more than offset by increases in employee benefits and on-costs and materials and contracts expenses.

Grants and contribution income increased due to extra funding for non-capital drought and building better communities projects along with \$1.3 million additional capital grants in the current year for roadworks, a new preschool building and capital projects funded by the building better communities grants.

Employee costs increased due to Council employing additional staff to meet operational needs. Materials and contract costs increased due to higher expenditure on infrastructure maintenance and expenses associated with higher levels of operational grants including drought and building better communities projects.

The net operating result before capital grants and contributions deficit of \$1.1 million was \$1.6 million lower than 2017–18. This is mainly due to the reasons above excluding the increase in capital grants income.

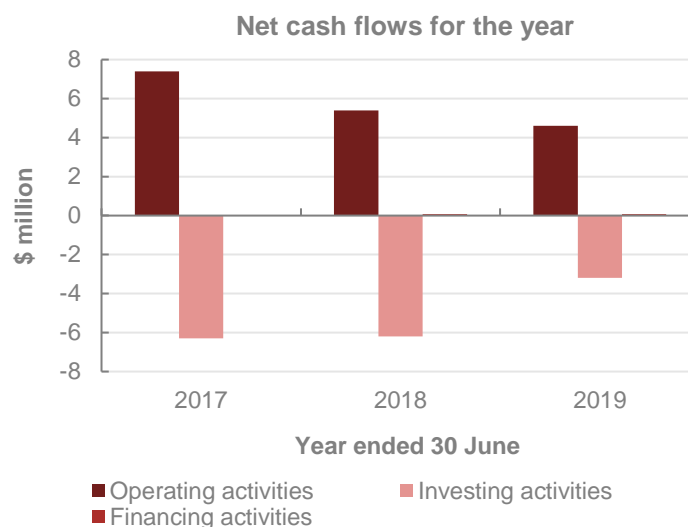
Rates and annual charges revenue of \$4.7 million increased by \$200,000 or 4.4 per cent in 2018–2019. This was due to rate peg increases along with higher annual charges to cover a rise in underlying costs for water, sewer and domestic waste operations.

Grants and contributions revenue of \$8.5 million increased by \$2.0 million or 30.8 per cent in 2018–2019 mainly due to:

- capital grant for new preschool building of \$239,000
- increases in recreation and culture grants of \$1.5 million for capital and operational projects, arising from drought incentives and building better community grant opportunities
- increased grants for roadworks of \$577,000
- increases in RMS funded contract roadworks on regional roads of \$225,000
- lower roads to recovery funding of \$589,000 due to Council reaching the end of the three yearly cycle in funding and Council having spent higher levels in previous years.

STATEMENT OF CASH FLOWS

Cash from operations reduced by \$876,000 due to increases in operational expenditure exceeding increases in grants. Cash outflows for investing activities decreased by \$3.0 million due to the transfer of investments into cash to fund capital expenditure and increases in operational activities.



FINANCIAL POSITION

Cash and investments

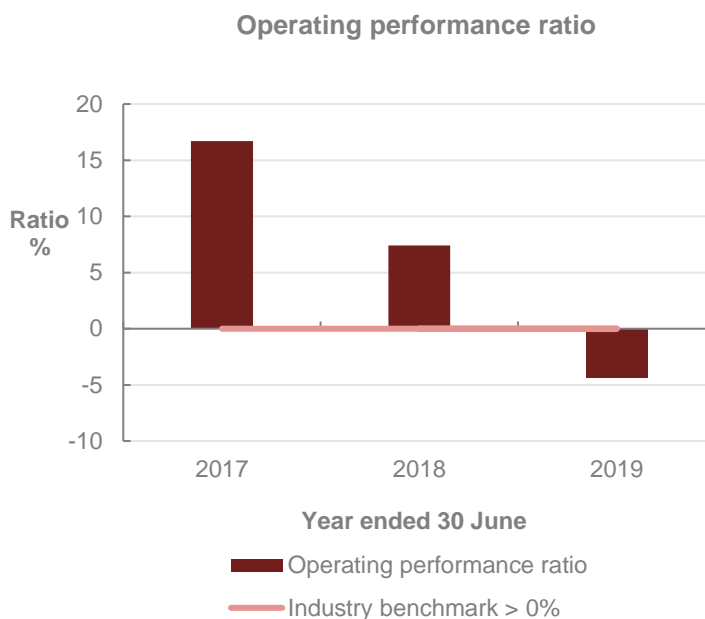
Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	2.0	1.8	• External cash restrictions include water and sewer reserves along with specific purpose grants.
Internal restrictions	4.6	3.4	• Internal restrictions increased by \$1.2 million as Council continues put aside funding for future capital works, plant replacements, quarry remediation and employee leave entitlements.
Unrestricted	1.3	4.0	• Unrestricted cash and investments decreased by \$2.7 million due to monies being earmarked for internal restrictions and cash being utilised for projects and IPPE expenditure.
Cash and investments	7.9	9.2	

PERFORMANCE

Operating performance ratio

The operating performance ratio declined and was negative for 2018–19 due to increases in operating costs and the impact of higher capital grant income which is excluded from the ratio.

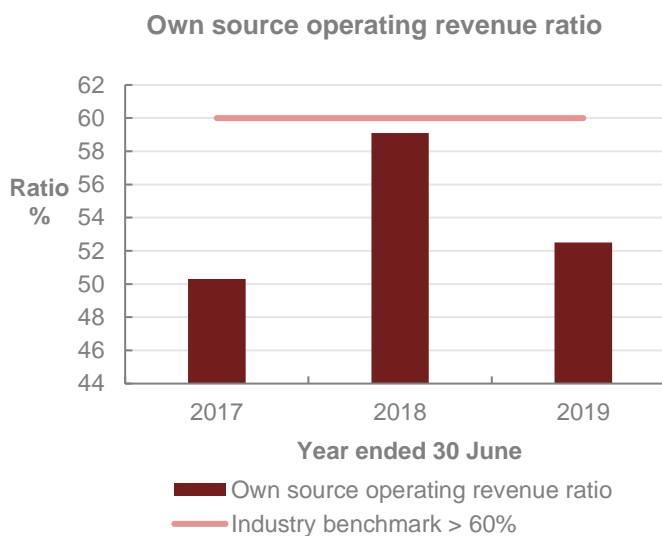
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

The own source operating revenue ratio decreased compared to 2017–18. Council utilised cash reserves to fund operations and capital expenditure related to capital grant income received in 2018–19.

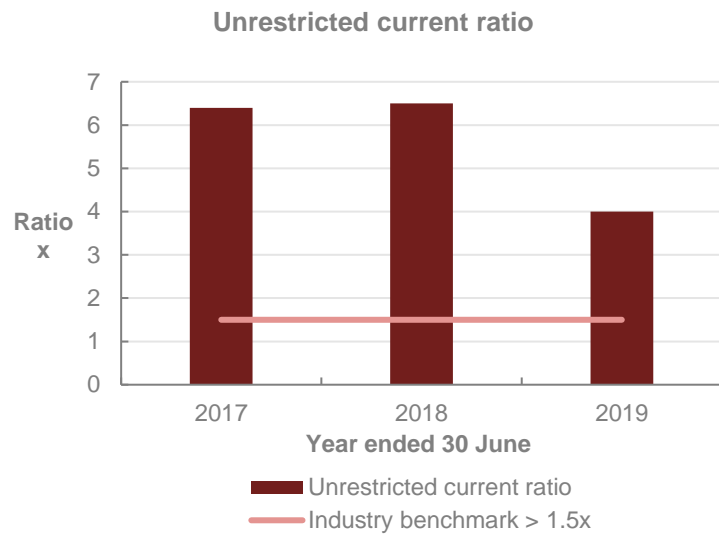
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

Council remains well above the former OLG benchmark. The reduction in the unrestricted current ratio is due to Council utilising cash reserves for operations and capital works in 2018–19.

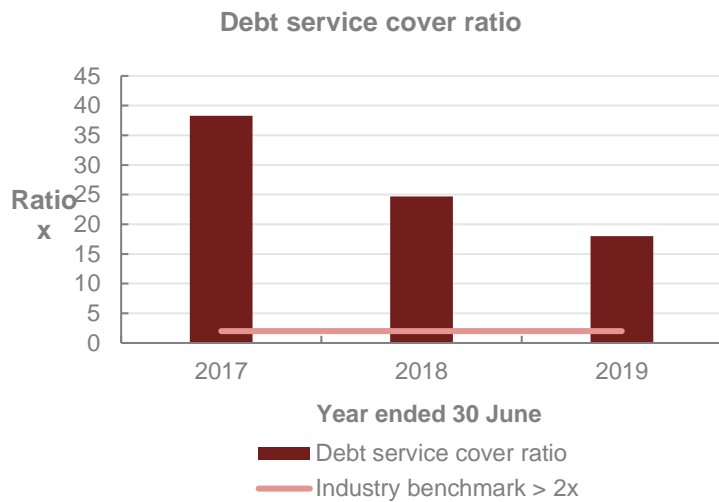
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio remains above the former OLG benchmark but decreased due to lower operating results for 2018–19.

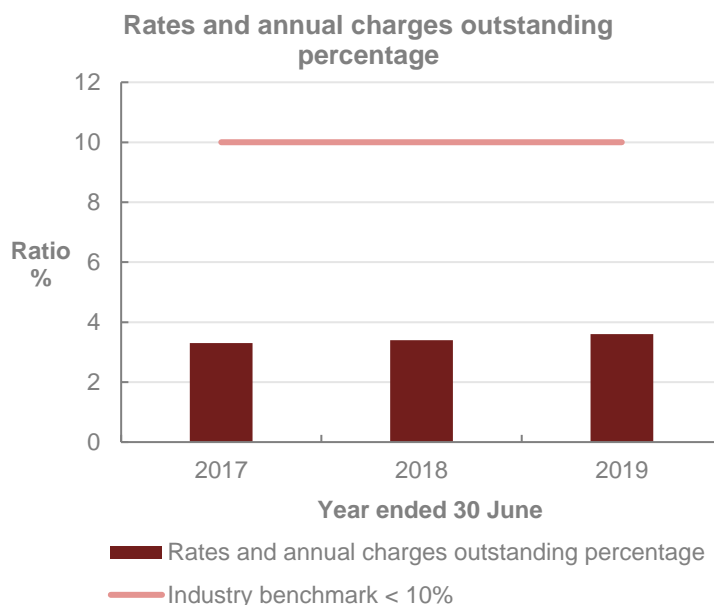
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

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

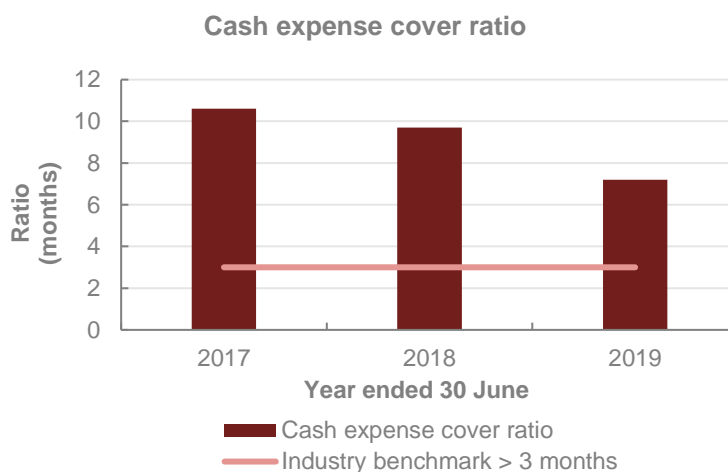
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The 2018–19 cash expense cover ratio has reduced compared to prior year due to Council utilising cash reserves for operations and capital expenditure but remains well above the former OLG benchmark.

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



Infrastructure, property, plant and equipment renewals

Council's Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure in 2018–19 was \$2.9 million and comparable to the prior year. Renewal expenditure was similar to the level of depreciation for 2018–19. Major renewal works included various roadworks and heavy plant replacements.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> • a simplified model for classifying and measuring financial assets • a new method for calculating impairment • a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Notes 6 and 7.</p>

Legislative compliance

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

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



Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Mr Jack O'Hara, General Manager
Ms Rose Strobel, Chief Financial Officer
Mr Mike O'Connor, Chair of Audit, Risk and Improvement Committee
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment