

Queanbeyan-Palerang Regional Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

Our reputation matters



Queanbeyan-Palerang Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Our reputation matters



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

256 Crawford Street
Queanbeyan NSW 2620

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.qprc.nsw.gov.au.

Queanbeyan-Palerang Regional 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.

Queanbeyan-Palerang Regional Council

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 11 September 2019.



Cr Timothy Overall
Mayor
22 October 2019



Cr Trudy Taylor
Deputy Mayor
22 October 2019



Peter Tegart
Chief Executive Officer
22 October 2019



Kate Monaghan
Responsible Accounting Officer
22 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
69,640	Rates and annual charges	3a	70,158	67,109
28,686	User charges and fees	3b	33,652	37,468
4,823	Interest and investment revenue	3c	7,063	5,654
2,068	Other revenues	3d	2,147	1,777
11,156	Grants and contributions provided for operating purposes	3e,3f	17,494	15,454
42,106	Grants and contributions provided for capital purposes	3e,3f	64,780	50,596
<u>158,479</u>	Total income from continuing operations		<u>195,294</u>	<u>178,058</u>
Expenses from continuing operations				
43,534	Employee benefits and on-costs	4a	41,882	40,023
2,411	Borrowing costs	4b	2,965	2,188
43,808	Materials and contracts	4c	40,275	49,705
21,014	Depreciation and amortisation	4d	24,909	22,166
9,990	Other expenses	4e	13,459	11,699
1,003	Net losses from the disposal of assets	5	3,232	3,557
–	Revaluation decrement / impairment of IPP&E	4d	–	2,259
<u>121,760</u>	Total expenses from continuing operations		<u>126,722</u>	<u>131,597</u>
<u>36,719</u>	Operating result from continuing operations		<u>68,572</u>	<u>46,461</u>
<u>36,719</u>	Net operating result for the year		<u>68,572</u>	<u>46,461</u>
36,719	Net operating result attributable to council		68,572	46,461
<u>(5,387)</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>3,792</u>	<u>(4,135)</u>

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		68,572	46,461
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	4,107	7,808
Total items which will not be reclassified subsequently to the operating result		4,107	7,808
Total other comprehensive income for the period		4,107	7,808
Total comprehensive income for the year		72,679	54,269
Total comprehensive income attributable to Council		72,679	54,269

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	12,580	16,176
Investments	6(b)	125,833	70,687
Receivables	7	15,613	15,028
Inventories	8a	269	266
Other	8b	722	885
Current assets classified as 'held for sale'	9i	520	120
Total current assets		<u>155,537</u>	<u>103,162</u>
Non-current assets			
Investments	6(b)	83,750	80,250
Receivables	7	422	535
Infrastructure, property, plant and equipment	10(a)	1,390,993	1,318,972
Intangible assets	11	7,265	3,059
Total non-current assets		<u>1,482,430</u>	<u>1,402,816</u>
TOTAL ASSETS		<u>1,637,967</u>	<u>1,505,978</u>
LIABILITIES			
Current liabilities			
Payables	12	24,529	13,775
Income received in advance	12	179	177
Borrowings	12	5,386	1,619
Provisions	13	15,419	12,119
Total current liabilities		<u>45,513</u>	<u>27,690</u>
Non-current liabilities			
Borrowings	12	79,396	35,218
Provisions	13	935	3,626
Total non-current liabilities		<u>80,331</u>	<u>38,844</u>
TOTAL LIABILITIES		<u>125,844</u>	<u>66,534</u>
Net assets		<u>1,512,123</u>	<u>1,439,444</u>
EQUITY			
Accumulated surplus	14a	1,500,208	1,431,636
Revaluation reserves	14a	11,915	7,808
Council equity interest		<u>1,512,123</u>	<u>1,439,444</u>
Total equity		<u>1,512,123</u>	<u>1,439,444</u>

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

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

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		1,431,636	7,808	1,439,444	1,385,175	–	1,385,175
Net operating result for the year		68,572	–	68,572	46,461	–	46,461
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	4,107	4,107	–	7,808	7,808
Other comprehensive income		–	4,107	4,107	–	7,808	7,808
Total comprehensive income		68,572	4,107	72,679	46,461	7,808	54,269
Equity – balance at end of the reporting period		1,500,208	11,915	1,512,123	1,431,636	7,808	1,439,444

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
69,640	Rates and annual charges		69,565	66,011
28,686	User charges and fees		34,511	34,329
2,068	Investment and interest revenue received		6,766	4,601
73,771	Grants and contributions		71,985	47,242
–	Bonds, deposits and retention amounts received		1,201	1,192
2,068	Other		9,128	8,679
<u>Payments</u>				
(43,534)	Employee benefits and on-costs		(40,206)	(39,819)
(43,808)	Materials and contracts		(48,097)	(55,910)
(2,411)	Borrowing costs		(2,426)	(2,040)
–	Bonds, deposits and retention amounts refunded		(911)	(1,675)
(9,990)	Other		(5,726)	(11,405)
76,490	Net cash provided (or used in) operating activities	15b	95,790	51,205
Cash flows from investing activities				
<u>Receipts</u>				
–	Sale of investment securities		109,968	100,417
–	Sale of infrastructure, property, plant and equipment		1,032	1,628
–	Deferred debtors receipts		48	–
<u>Payments</u>				
–	Purchase of investment securities		(168,614)	(114,802)
(142,792)	Purchase of infrastructure, property, plant and equipment		(85,176)	(40,270)
–	Purchase of intangible assets		(4,551)	(3,059)
(142,792)	Net cash provided (or used in) investing activities		(147,293)	(56,086)
Cash flows from financing activities				
<u>Receipts</u>				
42,650	Proceeds from borrowings and advances		50,400	–
<u>Payments</u>				
(1,859)	Repayment of borrowings and advances		(2,493)	(1,555)
40,791	Net cash flow provided (used in) financing activities		47,907	(1,555)
(25,511)	Net increase/(decrease) in cash and cash equivalents		(3,596)	(6,436)
16,176	Plus: cash and cash equivalents – beginning of year	15a	16,176	22,612
(9,335)	Cash and cash equivalents – end of the year	15a	12,580	16,176
Additional Information:				
222,162	plus: Investments on hand – end of year	6(b)	209,583	150,937
212,827	Total cash, cash equivalents and investments		222,163	167,113

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

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

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

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

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

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

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- South East Weights and Loads

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

AASB 16 Leases

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

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

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

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 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$358,361 - refer Note 16(b).

Of these commitments, approximately \$106,276 relates to short-term leases.

These lease types and amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

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

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

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

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

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

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

AASB 1058 Income of NFP Entities

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

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

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

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

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

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

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

Council receives capital nature developer contributions (cash or other financial assets) under voluntary planning agreements or VPA's, to construct or acquire non-financial assets (building/road) to further its objectives. These contributions are deemed to

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

be an enforceable contract between the Council and the developer. Council expects that the affect of AASB 1058 on Developer contributions will have a material impact, but is unable to make a reliable estimate of the financial impact at this point in time.

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

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

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

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

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

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

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

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

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Community	5,828	5,471	13,847	11,932	(8,019)	(6,461)	1,626	1,606	2,455	2,216
Other	–	–	–	–	–	–	–	(497)	–	–
Choice	1,376	1,158	2,533	1,560	(1,157)	(402)	524	5	–	–
Character	23,591	14,298	21,067	24,081	2,524	(9,783)	1,148	1,102	115,861	114,182
Connection	67,614	41,078	74,765	80,746	(7,151)	(39,668)	47,969	26,341	1,405,005	1,316,731
Capability	96,885	116,053	14,510	13,278	82,375	102,775	11,857	5,217	114,646	72,849
Total functions and activities	195,294	178,058	126,722	131,597	68,572	46,461	63,124	33,774	1,637,967	1,505,978

Notes to the Financial Statements

for the year ended 30 June 2019

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

Community

- We are a friendly and caring community.
- We feel safe in the places we visit in our built and natural environment.
- We respect the indigenous relationships with the land we live on.
- Our community and our identity are made vibrant by the expression of arts and culture around us.

Choice

- We have a diverse, resilient and smart economy fostering businesses that create jobs and wealth for all in our community.

Character

- We enjoy the natural beauty and opportunity of our natural environment, and act to protect it through our management of waste and energy.

Connection

- We are well connected to accessible services and facilities that provide our needs for living, work and leisure.

Capability

- We are served by a Council that listens to us and responds in our best interests in all their actions, and provides the leadership we need to achieve our common aspirations.

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	27,963	26,666
Farmland	2,428	2,364
Mining	25	24
Business	5,991	5,801
Less: pensioner rebates (mandatory)	(582)	(579)
Rates levied to ratepayers	35,825	34,276
Pensioner rate subsidies received	259	254
Total ordinary rates	36,084	34,530
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	6,897	6,600
Stormwater management services	361	355
Water supply services	6,760	6,440
Sewerage services	16,002	15,328
Waste management services (non-domestic)	3,693	3,611
Less: pensioner rebates (mandatory)	(389)	(393)
Recycled water services	511	395
Annual charges levied	33,835	32,336
Pensioner subsidies received:		
– Water	91	91
– Sewerage	90	90
– Domestic waste management	58	62
Total annual charges	34,074	32,579
TOTAL RATES AND ANNUAL CHARGES	70,158	67,109

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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.

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	16,242	16,775
Sewerage services	1,068	1,027
Waste management services (non-domestic)	35	31
Total specific user charges	17,345	17,833
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	148	142
Planning and building regulation	1,836	1,935
Private works – section 67	295	562
Regulatory/ statutory fees	65	121
Registration fees	53	32
Section 10.7 certificates (EP&A Act)	153	151
Section 603 certificates	130	145
Town planning	665	609
Other	1	18
Other (noxious weeds certificates)	3	6
Total fees and charges – statutory/regulatory	3,349	3,721
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	653	836
Child care	99	73
Community centres	421	377
Lease rentals	791	599
Leaseback fees – Council vehicles	488	242
Library and art gallery	27	27
Recycling income (non-domestic)	77	93
RMS (formerly RTA) charges (state roads not controlled by Council)	5,617	8,912
Saleyards	153	238
Sundry sales	212	121
Swimming centres	1,360	1,175
Waste disposal tipping fees	1,131	1,111
Gas mains	42	43
Health inspections and licenses fees	51	55
Plant and equipment hire	20	25

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Pound fees	67	75
The Q ticket sales	1,326	1,553
Kiosk sales	356	294
Indoor sports centre sales	58	59
Other	9	6
Total fees and charges – other	12,958	15,914
TOTAL USER CHARGES AND FEES	33,652	37,468

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)

Interest on financial assets measured at amortised cost

– Overdue rates and annual charges (incl. special purpose rates)	341	396
– Cash and investments	6,722	4,067
Fair value adjustments		
– Movements in investments at fair value through profit and loss	–	1,191
TOTAL INTEREST AND INVESTMENT REVENUE	7,063	5,654

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

Overdue rates and annual charges (general fund)	341	396
General Council cash and investments	3,135	2,023

Restricted investments/funds – external:

Development contributions		
– Section 7.11	411	308
– Section 64	271	252
Water fund operations	670	446
Sewerage fund operations	1,732	1,783
Domestic waste management operations	503	446
Total interest and investment revenue	7,063	5,654

Accounting policy for interest and investment revenue

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

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

(d) Other revenues

Fines	744	361
Legal fees recovery – rates and charges (extra charges)	252	250
Commissions and agency fees	62	17
Diesel rebate	16	42
Insurance claims recoveries	53	40
Share dividends – southern phone	27	29
Motor vehicle income	5	9
Other reimbursements	35	22
Other	761	699

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
OHS rebate	192	308
TOTAL OTHER REVENUE	2,147	1,777

Accounting policy for other revenue

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

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

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

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

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
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(e) Grants**General purpose (untied)****Current year allocation**

Financial assistance – general component	1,785	1,788	–	–
Financial assistance – local roads component	1,224	1,182	–	–

Payment in advance - future year allocation

Financial assistance	1,851	1,846	–	–
Financial assistance – general component	1,270	1,197	–	–

Total general purpose

	6,130	6,013	–	–
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Specific purpose

Bushfire and emergency services	335	656	352	–
Community care	7,454	1,145	–	–
Employment and training programs	17	8	–	–
Environmental programs	276	157	13	15
Heritage and cultural	39	37	2	1
Library	129	155	50	171
Noxious weeds	941	645	–	–
Recreation and culture	20	20	83	2,886
Street lighting	168	167	–	–
Transport (roads to recovery)	–	–	2,074	2,071
Transport (other roads and bridges funding)	1,227	–	39,129	17,331
Transport (road safety)	110	72	–	–
Other regional roads	–	–	730	1,917
Other (stronger communities)	–	–	3,789	–
Other	56	5	–	302

Total specific purpose

	10,772	3,067	46,222	24,694
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Total grants

	16,902	9,080	46,222	24,694
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Grant revenue is attributable to:

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
– Commonwealth funding	1,716	974	421	4,280
– State funding	15,176	8,090	45,801	20,220
– Other funding	10	16	–	194
	<u>16,902</u>	<u>9,080</u>	<u>46,222</u>	<u>24,694</u>

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
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(f) Contributions

**Developer contributions:
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):****Cash contributions**

S 7.11 – contributions towards amenities/services	277	6,053	2,000	2,169
S 64 – water supply contributions	–	–	1,046	1,162
S 64 – sewerage service contributions	–	–	48	137
Other developer contributions	–	–	1	–
Googong offsite roads	–	–	3,497	3,749
Total developer contributions – cash	<u>277</u>	<u>6,053</u>	<u>6,592</u>	<u>7,217</u>

Non-cash contributions

Googong Gifted Assets from Developer	–	–	6,532	18,625
Gifted Assets from Developer - Other	–	–	5,434	–
Total developer contributions non-cash	<u>–</u>	<u>–</u>	<u>11,966</u>	<u>18,625</u>

Total developer contributions

23

<u>277</u>	<u>6,053</u>	<u>18,558</u>	<u>25,842</u>
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Other contributions:**Cash contributions**

Recreation and culture	–	–	–	60
Other	81	88	–	–
Family day care operations	234	233	–	–
Total other contributions – cash	<u>315</u>	<u>321</u>	<u>–</u>	<u>60</u>

Total other contributions

<u>315</u>	<u>321</u>	<u>–</u>	<u>60</u>
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Total contributions

<u>592</u>	<u>6,374</u>	<u>18,558</u>	<u>25,902</u>
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TOTAL GRANTS AND CONTRIBUTIONS

<u>17,494</u>	<u>15,454</u>	<u>64,780</u>	<u>50,596</u>
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Accounting policy for grants and contributions

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

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

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

\$ '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	1,051	574
Add: operating grants recognised in the current period but not yet spent	4,766	578
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	(1,303)	(101)
Unexpended and held as restricted assets (operating grants)	4,514	1,051

The majority of Councils unspent operating grants relate to remaining merger funds (49%) and weed control grants (17%). All grants have committed expenditure against them in the 2020 financial year.

Capital grants

Unexpended at the close of the previous reporting period	14,195	12,141
Add: capital grants recognised in the current period but not yet spent	18,043	6,164
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	(2,824)	(4,110)
Unexpended and held as restricted assets (capital grants)	29,414	14,195

The majority of Councils unspent capital grants relate to road work on Old Cooma Rd (48%) and Grants Nerriga Rd (25%). All grants have committed expenditure against them in the 2020 financial year.

Contributions

Unexpended at the close of the previous reporting period	43,103	40,199
Add: contributions recognised in the current period but not yet spent	6,945	27,090
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	(684)	(24,186)
Unexpended and held as restricted assets (contributions)	49,364	43,103

Note 4. Expenses from continuing operations

\$ '000	2019	2018
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(a) Employee benefits and on-costs

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
Salaries and wages	33,003	30,444
Employee termination costs (where material – other than vested leave paid)	35	262
Travel expenses	99	101
Employee leave entitlements (ELE)	5,361	3,368
Superannuation	2,943	1,911
Superannuation – defined contribution plans	446	1,141
Superannuation – defined benefit plans	265	348
Workers' compensation insurance	1,456	1,783
Fringe benefit tax (FBT)	140	124
Payroll tax	96	126
Training costs (other than salaries and wages)	528	282
Protective clothing	157	236
Other	28	30
Total employee costs	44,557	40,156
Less: capitalised costs	(2,675)	(133)
TOTAL EMPLOYEE COSTS EXPENSED	41,882	40,023

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		2,805	2,101
Total interest bearing liability costs expensed		2,805	2,101
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	13	122	32
Interest applicable on interest free (and favourable) loans to Council		38	55
Total other borrowing costs		160	87
TOTAL BORROWING COSTS EXPENSED		2,965	2,188

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	4,985	4,463
Contractor and consultancy costs	18,382	20,257
Auditors remuneration ²	188	352
Legal expenses:		
– Legal expenses: debt recovery	314	221
– Legal expenses: other	422	462
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	123	123
IT Software	2,195	1,418
Cleaning	362	393
Water charges – ACTEW	11,979	13,236
Security Contracts	119	250
Repairs and maintenance	1,422	1,110
Motor vehicle expenses	3,195	3,068
Reimbursement Developer Contributions	–	5,772
Total materials and contracts	43,686	51,125
Less: capitalised costs	(3,411)	(1,420)
TOTAL MATERIALS AND CONTRACTS	40,275	49,705

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Other	123	123
	123	123

2. Auditor remuneration

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

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

Audit and review of financial statements	143	228
Remuneration for audit and other assurance services	143	228

Total Auditor-General remuneration

	143	228
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Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

Other audit and assurance services (internal audit services)	45	124
Remuneration for audit and other assurance services	45	124

Total remuneration of non NSW Auditor-General audit firms

	45	124
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Total Auditor remuneration

	188	352
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		2,702	2,292
Office equipment		594	689
Furniture and fittings		32	38
Park structures		1,122	1,069
Infrastructure:			
– Buildings – non-specialised		827	867
– Buildings – specialised		1,432	1,386
– Roads		7,074	6,716
– Bridges		721	703
– Footpaths		387	378
– Other road assets		542	535
– Stormwater drainage		1,770	1,683
– Water supply network		2,074	1,535
– Sewerage network		4,636	3,630
– Swimming pools		86	86
Other assets:			
– Library books		103	97
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	10(a),13	462	462
Intangible assets	11	345	–
Total gross depreciation and amortisation costs		24,909	22,166
Total depreciation and amortisation costs		24,909	22,166
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
– Sewerage network		–	2,259
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		–	2,259
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	2,259
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		24,909	24,425

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

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

Impairment of non-financial assets

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

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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.

\$ '000	2019	2018
(e) Other expenses		
Advertising	505	421
Bad and doubtful debts	17	3
Bank charges	253	287
Cleaning	–	1
Computer software charges	5	3
Contributions/levies to other levels of government		
Contributions/levies to other levels of government	16	8
Councillor expenses – mayoral fee	43	76
Councillor expenses – councillors' fees	218	169
Councillors' expenses (incl. mayor) – other (excluding fees above)	39	33
Donations, contributions and assistance to other organisations (Section 356)	4,267	1,464
Election expenses	–	324
Electricity and heating	1,709	1,658
Insurance	1,338	1,222
Office expenses (including computer expenses)	–	3
Postage	232	216
Printing and stationery	301	413
Street lighting	370	689
Subscriptions and publications	505	514
Telephone and communications	698	821
Valuation fees	156	164
Licence fees	811	627
Water usage	1,460	1,854
Asset Valuation Fees	13	85
Rent	1	2
Meeting expenses	64	55
Child care – parent fees	1,207	972
Waterwise subsidy	47	51
RMS Administration Expenses	2	9
Other	291	417
Total other expenses	14,568	12,561
Less: capitalised costs	(1,109)	(862)
TOTAL OTHER EXPENSES	13,459	11,699

Accounting policy for other expenses

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		–	44
Net gain/(loss) on disposal		–	44
Plant and equipment			
	10(a)		
Proceeds from disposal – plant and equipment		1,026	1,578
Less: carrying amount of plant and equipment assets sold/written off		(608)	(852)
Net gain/(loss) on disposal		418	726
Infrastructure			
	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(3,656)	(4,333)
Net gain/(loss) on disposal		(3,656)	(4,333)
Investments			
Proceeds from disposal/redemptions/maturities – investments		109,968	100,417
Less: carrying amount of investments sold/redeemed/matured		(109,968)	(100,417)
Net gain/(loss) on disposal		–	–
Other (library books)			
Proceeds from disposal – library books		6	6
Net gain/(loss) on disposal		6	6
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(3,232)	(3,557)

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	6,366	6,288
Cash-equivalent assets		
– Deposits at call	6,214	9,888
Total cash and cash equivalents	12,580	16,176

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	–	–	22,937	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	93,900	83,750	47,750	80,250
d. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	31,933	–	–	–
Total Investments	125,833	83,750	70,687	80,250
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	138,413	83,750	86,863	80,250
Financial assets at fair value through the profit and loss				
Managed funds	–	–	22,937	–
Total	–	–	22,937	–
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	79,400	27,000	43,000	29,000
NCD's, FRN's (with maturities > 3 months)	14,500	56,750	4,750	51,250
Total	93,900	83,750	47,750	80,250
Financial assets at fair value through other comprehensive income / available for sale financial assets (2018)				
Managed funds	31,822	–	–	–
Unlisted equity securities	111	–	–	–
Total	31,933	–	–	–

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	138,413	83,750	86,863	80,250
attributable to:				
External restrictions	104,079	83,750	62,584	80,250
Internal restrictions	24,444	–	20,640	–
Unrestricted	9,890	–	3,639	–
	138,413	83,750	86,863	80,250

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	13,467	510
Specific purpose unexpended loans – water	269	269
External restrictions – included in liabilities	13,736	779

External restrictions – other

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Developer contributions – general	30,315	25,208
Developer contributions – water fund	7,126	6,515
Developer contributions – sewer fund	11,923	11,380
Specific purpose unexpended grants	33,928	15,246
Water supplies	22,890	18,821
Water supplies – other (specify)	815	815
Sewerage services	56,737	52,327
Sewerage services – other (specify)	285	1,979
Domestic waste management	8,026	6,726
Stormwater management	1,007	972
CBRJO (SEROC)	–	1,157
Sale of land for unpaid rates	459	459
Other	582	450
External restrictions – other	174,093	142,055
Total external restrictions	187,829	142,834
Internal restrictions		
Plant and vehicle replacement	3,358	2,000
Infrastructure replacement	4,094	316
Employees leave entitlement	2,480	1,480
Carry over works	1,572	2,917
Deposits, retentions and bonds	644	644
Construction of buildings/strategic priorities	938	13
Computer and it services	6	51
Business waste management	1,508	1,102
Deposits, bonds and retentions	340	340
Footpath program	20	20
WH&H	227	193
Risk management	518	418
Heritage Grant Program	65	73
Merger savings	308	154
Main roads contract/state roads	2,381	2,208
Enviromental & sustainability	394	302
Training	15	15
Private works	201	201
Elections	225	146
Parks embellishment	690	481
Waste management non-domestic asset renewals	973	973
Revolving energy reserve	345	399
Saleyards capital improvements	277	266
Property development	–	358
Planning	19	19
Fire services	36	36
State of environment	10	10
Waste management non-domestic	1,318	4,335
Strategic development	331	94
Other	1,151	1,076
Total internal restrictions	24,444	20,640
TOTAL RESTRICTIONS	212,273	163,474

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	3,270	260	2,561	332
Interest and extra charges	679	66	621	75
User charges and fees	8,558	–	8,295	–
Accrued revenues				
– Interest on investments	1,078	–	830	–
– Other income accruals	42	–	65	–
Deferred debtors	16	96	32	128
Government grants and subsidies	1,401	–	2,626	–
Net GST receivable	637	–	122	–
Total	15,681	422	15,152	535
Less: provision of impairment				
Rates and annual charges	(54)	–	(54)	–
User charges and fees	(14)	–	(70)	–
Total provision for impairment – receivables	(68)	–	(124)	–
TOTAL NET RECEIVABLES	15,613	422	15,028	535
Externally restricted receivables				
Water supply				
– Rates and availability charges	483	–	436	–
– Other	3,259	–	4,709	–
Sewerage services				
– Rates and availability charges	1,131	–	674	–
– Other	3,077	–	840	–
Total external restrictions	7,950	–	6,659	–
Unrestricted receivables	7,663	422	8,369	535
TOTAL NET RECEIVABLES	15,613	422	15,028	535

\$ '000	2019	2018
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Movement in provision for impairment of receivables

+ new provisions recognised during the year	(59)	2
Balance at the beginning of the year (calculated in accordance with AASB 139)	124	122
Balance at the end of the period	65	124

Accounting policy for receivables**Recognition and measurement**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (Note 7) in the Statement of Financial Position.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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

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

Impairment

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 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.

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 90 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 2 years past due, whichever occurs first.

Receivables written off during the reporting period are still 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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.

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	269	–	266	–
Total inventories at cost	269	–	266	–
<u>TOTAL INVENTORIES</u>	<u>269</u>	<u>–</u>	<u>266</u>	<u>–</u>
(b) Other assets				
Prepayments	722	–	885	–
<u>TOTAL OTHER ASSETS</u>	<u>722</u>	<u>–</u>	<u>885</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.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Note 9. Non-current assets classified as held for sale

(i) Non-current assets and disposal group assets

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Non-current assets classified as held for sale (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Non-current assets 'held for sale'				
Land	520	–	120	–
Total non-current assets 'held for sale'	<u>520</u>	<u>–</u>	<u>120</u>	<u>–</u>
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'	<u>520</u>	<u>–</u>	<u>120</u>	<u>–</u>

(ii) Details of assets and disposal groups

The assets held for sale represent small parcels of land previously identified and agreed by Council to be sold as soon as practicable, the timing of which is reflective of the activities required to be undertaken.

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

\$ '000	2019 Assets 'held for sale'	2018 Assets 'held for sale'
Opening balance	120	120
Balance still unsold after 12 months:	<u>120</u>	<u>120</u>
<u>Plus new transfers in:</u>		
– Assets 'held for sale'	400	–
Closing balance of 'held for sale' non-current assets and operations	<u>520</u>	<u>120</u>

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2018			Asset movements during the reporting period									as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements (transfer to Intangible assets)	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000															
Capital work in progress	29,595	–	29,595	23,442	47,819	–	–	(11,163)	–	–	–	–	89,693	–	89,693
Plant and equipment	21,504	(10,859)	10,645	–	2,835	(607)	(2,702)	180	(5)	–	–	–	22,304	(11,958)	10,346
Office equipment	7,248	(2,730)	4,518	–	323	–	(594)	–	–	(2,240)	–	–	4,195	(2,188)	2,007
Furniture and fittings	430	(275)	155	–	10	–	(32)	–	5	–	–	–	441	(303)	138
Land:															
– Operational land	57,845	–	57,845	–	–	–	–	–	(6,811)	–	(400)	–	50,634	–	50,634
– Community land	84,963	–	84,963	–	868	–	–	–	(16,375)	–	–	–	69,456	–	69,456
– Crown	–	–	–	–	–	–	–	–	23,186	–	–	–	23,186	–	23,186
– Land under roads (post 30/6/08)	288	–	288	–	3,225	–	–	–	–	–	–	–	3,513	–	3,513
Park structures	41,941	(12,722)	29,219	38	994	(124)	(1,122)	1,026	–	–	–	–	43,656	(13,626)	30,030
Infrastructure:															
– Buildings – non-specialised	44,787	(24,202)	20,585	30	2,488	(2,191)	(827)	222	–	–	–	–	42,508	(22,201)	20,307
– Buildings – specialised	73,920	(29,224)	44,696	231	60	(2)	(1,432)	4,358	–	–	–	–	78,560	(30,649)	47,911
– Roads	649,640	(85,518)	564,122	5,611	5,599	(961)	(7,074)	1,422	–	–	–	–	660,297	(91,578)	568,719
– Bridges	70,147	(29,917)	40,230	–	242	–	(721)	1,495	–	–	–	–	71,884	(30,638)	41,246
– Footpaths	35,797	(9,866)	25,931	–	625	(17)	(387)	8	–	–	–	–	36,394	(10,234)	26,160
– Stormwater drainage	175,678	(64,699)	110,979	–	2,240	–	(1,770)	–	–	–	–	–	177,918	(66,469)	111,449
– Water supply network	155,905	(53,474)	102,431	10	933	(265)	(2,074)	2,114	–	–	–	1,650	160,893	(56,094)	104,799
– Sewerage network	241,318	(84,435)	156,883	447	864	(15)	(4,636)	12	–	–	–	2,457	246,492	(90,480)	156,012
– Other road assets (Car Parks and K&G)	49,948	(17,120)	32,828	–	324	(81)	(542)	22	–	–	–	–	50,206	(17,655)	32,551
– Swimming pools	4,356	(2,252)	2,104	–	–	–	(86)	99	(1)	–	–	–	4,455	(2,339)	2,116
Other assets:															
– Library books	773	(661)	112	–	128	–	(103)	205	–	(4)	–	–	1,081	(743)	338
Reinstatement, rehabilitation and restoration assets (refer Note 13):															
– Tip assets	5,089	(4,246)	843	–	–	–	(462)	–	1	–	–	–	5,089	(4,707)	382
Total Infrastructure, property, plant and equipment	1,751,172	(432,200)	1,318,972	29,809	69,577	(4,263)	(24,564)	–	–	(2,244)	(400)	4,107	1,842,855	(451,862)	1,390,993

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	35,503	–	35,503	6,755	14,761	–	–	–	(27,424)	–	29,595	–	29,595
Plant and equipment	20,433	(11,167)	9,266	–	4,456	(825)	(2,292)	–	67	–	21,504	(10,859)	10,645
Office equipment	3,102	(2,041)	1,061	–	2,629	–	(689)	–	1,517	–	7,248	(2,730)	4,518
Furniture and fittings	392	(242)	150	–	–	–	(38)	–	38	–	430	(275)	155
Land:													
– Operational land	53,138	–	53,138	–	4,707	–	–	–	–	–	57,845	–	57,845
– Community land	84,911	–	84,911	–	–	–	–	–	52	–	84,963	–	84,963
– Land under roads (post 30/6/08)	255	–	255	–	–	–	–	–	33	–	288	–	288
Park structures	38,835	(11,712)	27,123	28	470	(66)	(1,069)	–	2,733	–	41,941	(12,722)	29,219
Infrastructure:													
– Buildings – non-specialised	44,417	(23,335)	21,082	42	3	–	(867)	–	325	–	44,787	(24,202)	20,585
– Buildings – specialised	72,583	(27,877)	44,706	–	51	(16)	(1,386)	–	1,341	–	73,920	(29,224)	44,696
– Roads	631,641	(81,281)	550,360	4,808	7,111	(3,793)	(6,716)	–	12,351	–	649,640	(85,518)	564,122
– Bridges	70,388	(30,180)	40,208	–	–	(227)	(703)	–	952	–	70,147	(29,917)	40,230
– Footpaths	33,269	(9,511)	23,758	–	1,851	(76)	(378)	–	775	–	35,797	(9,866)	25,931
– Other road assets	47,443	(16,647)	30,796	–	1,513	(59)	(535)	–	1,114	–	49,948	(17,120)	32,828
– Stormwater drainage	171,957	(63,031)	108,926	–	2,235	(19)	(1,683)	–	1,520	–	175,678	(64,699)	110,979
– Water supply network	143,842	(50,849)	92,993	–	659	(77)	(1,535)	–	2,583	7,808	155,905	(53,474)	102,431
– Sewerage network	234,534	(80,594)	153,940	4,387	2,421	–	(3,630)	(2,259)	2,023	–	241,318	(84,435)	156,883
– Swimming pools	4,356	(2,167)	2,189	–	–	–	(86)	–	–	–	4,356	(2,252)	2,104
Other assets:													
– Library books	773	(564)	209	–	–	–	(97)	–	–	–	773	(661)	112
Reinstatement, rehabilitation and restoration assets (refer Note 14):													
– Tip assets	5,089	(3,784)	1,305	–	–	–	(462)	–	–	–	5,089	(4,246)	843
Total Infrastructure, property, plant and equipment	1,696,861	(414,982)	1,281,879	16,020	42,867	(5,158)	(22,166)	(2,259)	–	7,808	1,751,172	(432,200)	1,318,972

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every 5 years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by DPI NSW Office of Water.

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 25	Playground equipment	1 to 100
Office furniture	10 to 10	Benches, seats etc.	1 to 100
Computer equipment	4	Library Books	5
Vehicles	5 to 10	Buildings	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	3 to 100
Other plant and equipment	5 to 10	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams	25 to 75	Drains	10 to 100
Reservoirs	25 to 100	Culverts	10 to 100
Bores	5 to 30	Flood control structures	10 to 100
Reticulation pipes: PVC	5 to 80		
Reticulation pipes: other	5 to 80	Other infrastructure assets	
Pumps and telemetry	5 to 20	Bulk earthworks	200
Transportation assets		Swimming pools	5 to 50
Sealed roads: surface	1 to 100	Other open space/recreational assets	5 to 20
Sealed roads: structure	1 to 100	Other infrastructure	5 to 20
Unsealed roads	20	Intangible Assets	
Bridge: concrete	10 to 100	Software	5 to 10
Bridge: other	10 to 50	Bio-Banking credits	100
Road pavements	60		
Kerb, gutter and footpaths	10 to 100		
Car parks	10 to 200		
Footpaths	10 to 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 in the Income Statement.

Land under roads

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

Council recognises RFS buildings and the Land on which RFS buildings are built in these financial statements. However, at this time, due to the itinerant nature of RFS plant and equipment assets Council does not recognise them in these financial statements.

Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	778	–	778	2,130	–	2,130
Land						
– Operational land	655	–	655	656	–	656
– Community land	2,402	–	2,402	2,402	–	2,402
Buildings	1,472	398	1,074	1,472	361	1,111
Infrastructure	160,893	56,094	104,799	155,905	53,474	102,431
Total water supply	166,200	56,492	109,708	162,565	53,835	108,730
Sewerage services						
WIP	7,169	–	7,169	2,346	–	2,346
Land						
– Operational land	3,097	–	3,097	3,097	–	3,097
– Community land	117	–	117	117	–	117
Buildings	2,123	960	1,163	2,123	920	1,203
Infrastructure	246,492	90,480	156,012	240,727	84,435	156,292
Total sewerage services	258,998	91,440	167,558	248,410	85,355	163,055
Domestic waste management						
WIP	6,078	–	6,078	798	–	798
Land						
– Operational land	1,300	–	1,300	1,300	–	1,300
Buildings	9,221	1,846	7,375	9,138	1,647	7,491
Total DWM	16,599	1,846	14,753	11,236	1,647	9,589
TOTAL RESTRICTED I,PP&E	441,797	149,778	292,019	422,211	140,837	281,374

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	3,059	–
Net book value – opening balance	3,059	–
Movements for the year		
– Purchases	2,306	3,059
– Development costs	3,400	–
– Amortisation charges	(345)	–
Closing values at 30 June		
Gross book value	8,766	3,059
Accumulated amortisation	(1,501)	–
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	7,265	3,059
The net book value of intangible assets represents:		
– Software	4,206	–
– Other (Bio-Banking Credit)	3,059	3,059
	7,265	3,059

Accounting policy for intangible assets

Amortisation

Amortisation on Intangible assets is calculated using the straight line method with estimated useful lives as follows:

Intangible Assets	Years
Software	5-10
Bio-Banking credits	100

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

Other intangible asset class

Biobanking Credits

Biobanking credits are held by QPRC for Yellow Box and Inland Scribbly Gum. These credits are able to be bought and sold to those wanting to invest in conservation outcomes. QPRC is required to hold these assets as part of the Ellerton Drive environmental offset. At this stage QPRC is required to hold the credits in perpetuity and they are unable to be sold unless further environmental work is undertaken. This further environmental work is not scheduled therefore QPRC holds the credits as Intangible Assets rather than Marketable Instruments.

Management Information System

QPRC has implemented a comprehensive Management Information System that provides an integrated software platform across Council. This system is a critical tool for the newly merged QPRC, bringing work groups together under a common control framework. The accounting treatment of software requires that whilst the system is an asset of QPRC, its non-physical nature requires that it be treated as an intangible asset.

Note 12. Payables and borrowings

\$ '000	2019	2019	2018	2018
	Current	Non-current	Current	Non-current

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	123	–	152	–
Accrued expenses:				
– Borrowings	558	–	180	–
– Salaries and wages	1,487	–	1,407	–
– Other expenditure accruals	19,056	–	8,578	–
Security bonds, deposits and retentions	2,582	–	2,292	–
South East Weight of Loads	112	–	990	–
Proceeds from sale of land for unpaid rates	542	–	102	–
Other	69	–	74	–
Total payables	24,529	–	13,775	–
Income received in advance				
Payments received in advance	179	–	177	–
Total income received in advance	179	–	177	–
Borrowings				
Loans – secured ¹	5,386	79,396	1,619	35,218
Total borrowings	5,386	79,396	1,619	35,218
TOTAL PAYABLES AND BORROWINGS	30,094	79,396	15,571	35,218

(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 18.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	3,291	4,894	4,333	5,495
Sewer	1,433	7,840	653	8,116
Payables and borrowings relating to externally restricted assets	4,724	12,734	4,986	13,611
Total payables and borrowings relating to restricted assets	4,724	12,734	4,986	13,611
Total payables and borrowings relating to unrestricted assets	25,370	66,662	10,585	21,607
TOTAL PAYABLES AND BORROWINGS	30,094	79,396	15,571	35,218

\$ '000

2019

2018

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	991	418
Total payables and borrowings	991	418

(c) 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	36,837	47,945	–	–	–	84,782
TOTAL	36,837	47,945	–	–	–	84,782

\$ '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	38,337	(1,555)	–	55	–	36,837
TOTAL	38,337	(1,555)	–	55	–	36,837

\$ '000	2019	2018
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(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ¹	2,000	2,000
Credit cards/purchase cards	210	210
Total financing arrangements	2,210	2,210

Drawn facilities as at balance date:

– Credit cards/purchase cards	122	90
Total drawn financing arrangements	122	90

Undrawn facilities as at balance date:

– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	88	120
Total undrawn financing arrangements	2,088	2,120

(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 12. 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 draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Finance leases

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

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Note 13. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	3,770	–	3,536	–
Long service leave	7,059	372	5,332	464
Other leave (TIL and RDOs)	343	–	387	–
Sub-total – aggregate employee benefits	11,172	372	9,255	464
Asset remediation/restoration:				
Asset remediation/restoration (future works)	4,247	563	2,864	3,162
Sub-total – asset remediation/restoration	4,247	563	2,864	3,162
TOTAL PROVISIONS	15,419	935	12,119	3,626

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Provisions relating to restricted assets				
Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	15,419	935	12,119	3,626
TOTAL PROVISIONS	15,419	935	12,119	3,626

\$ '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	7,351	5,759
	<u>7,351</u>	<u>5,759</u>

(c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2019				
At beginning of year	3,536	5,796	387	9,719
Additional provisions	2,526	1,549	655	4,730
Amounts used (payments)	(2,448)	(574)	(742)	(3,764)
Remeasurement effects	156	660	43	859
Total ELE provisions at end of period	3,770	7,431	343	11,544
2018				
At beginning of year	3,085	5,785	343	9,213
Additional provisions	2,009	461	155	2,625
Amounts used (payments)	(1,629)	(528)	(120)	(2,277)
Remeasurement effects	71	78	9	158
Total ELE provisions at end of period	3,536	5,796	387	9,719

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	6,026	6,026
Amounts used (payments)	(1,339)	(1,339)
Unwinding of discount	123	123
Total other provisions at end of period	4,810	4,810
2018		
At beginning of year	6,162	6,162
Amounts used (payments)	(168)	(168)

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

\$ '000	Other provisions	
	Asset remediation	Total
Unwinding of discount	32	32
Total other provisions at end of period	6,026	6,026

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

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

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

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
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

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

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

Impairment of financial assets

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

(c) Changes in accounting policies due to adoption of new accounting standards (retrospective)**Changes in accounting policies due to adoption of new accounting accounting standard (retrospective)**

Council has not elected to make any retrospective changes to Accounting Policies.

Retrospective restatement of the above change/s in accounting policy/ies has been impracticable. Implementation of the updated Accounting Policies have taken effect from 1 July 2018 as required by the Office of Local Government.

(d) Voluntary changes in accounting policies**Nature of changes in accounting policies**

Council has not voluntarily resolved to implement any Accounting Policy changes in 2019.

Note 15. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
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(a) Reconciliation of cash assets

Total cash and cash equivalent assets	6(a)	12,580	16,176
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Statement of cash flows - additional information (continued)

\$ '000	Notes	2019	2018
Balance as per the Statement of Cash Flows		12,580	16,176
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		68,572	46,461
Adjust for non-cash items:			
Depreciation and amortisation		24,909	22,166
Net losses/(gains) on disposal of assets		3,232	3,557
Non-cash capital grants and contributions		(11,966)	(18,625)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		–	(1,191)
– Revaluation decrements / impairments of IPP&E direct to P&L		–	2,259
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		38	55
Unwinding of discount rates on reinstatement provisions		123	32
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(464)	(3,537)
Increase/(decrease) in provision for impairment of receivables		(56)	2
Decrease/(increase) in inventories		(3)	151
Decrease/(increase) in other current assets		163	(276)
Increase/(decrease) in payables		(29)	(175)
Increase/(decrease) in accrued interest payable		378	61
Increase/(decrease) in other accrued expenses payable		10,558	1,927
Increase/(decrease) in other liabilities		(151)	(2,000)
Increase/(decrease) in provision for employee benefits		1,825	506
Increase/(decrease) in other provisions		(1,339)	(168)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		95,790	51,205

(c) Non-cash investing and financing activities

Developer contributions 'in kind'	11,966	18,625
Total non-cash investing and financing activities	11,966	18,625

Note 16. Commitments

\$ '000	2019	2018
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(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	–	263
Plant and equipment	–	536
Stormwater	–	443

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments (continued)

\$ '000	2019	2018
Ellerton Drive Extension	8,000	35,000
Other	524	5,845
Concept design Queanbeyan HOSH	257	–
Old Cooma Road Duplication	22,379	–
Sewage Treatment Plant Upgrade	11,384	–
Total commitments	42,544	42,087
These expenditures are payable as follows:		
Within the next year	42,544	37,087
Later than one year and not later than 5 years	–	5,000
Total payable	42,544	42,087
Sources for funding of capital commitments:		
Future grants and contributions	3,489	834
Sect 64 and 94 funds/reserves	–	979
Unexpended grants	22,379	263
Externally restricted reserves	16,306	2,454
Internally restricted reserves	160	2,557
New loans (to be raised)	39	35,000
Rates revenue	171	–
Total sources of funding	42,544	42,087

Details of capital commitments

QPRC hold commitments for major projects including:

- Ellerton Drive Extension – Total project cost \$89 million, remaining Council contribution is \$8 million
- Sewage Treatment Plant Upgrade funded by sewer reserves and future grants
- QHQ Building Design funded by Internal Unrestricted Funds
- Old Cooma Road duplication funded by grant

(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	106	97
Later than one year and not later than 5 years	252	199
Total non-cancellable operating lease commitments	358	296

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

QPRC hold leasing agreements in place for multi-function devices and printers.

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

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.

Note 17. Contingencies and other assets/liabilities not recognised

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The scheme's most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purpose of AASB 119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

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

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

The past service contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities.

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

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

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

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

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, 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). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. 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 and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2019 was \$711,007.

The last valuation of the scheme was performed by Mr Richard Boyfield FIAA (AFS Licence # 411770) on 12 December 2018, relating to the period ending 30 June 2018.

Council's expected contribution to the Fund for the next annual reporting period is \$596,562.68.

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

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

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

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

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

* 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.

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed in December 2019.

Council's additional lump sum contribution per annum 0.68% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub group.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Note 18. Financial risk management

Risk management

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	12,580	16,176	12,580	16,176
Receivables	16,035	15,563	16,035	15,563
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	177,650	128,000	177,650	128,000
Fair value through other comprehensive income				
Investments				
– 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	31,933	–	31,933	–
Fair value through profit and loss				
Investments				
– 'Held for trading'	–	22,937	–	22,937
Total financial assets	238,198	182,676	238,198	182,676
Financial liabilities				
Payables	24,529	13,775	24,529	13,775
Loans/advances	84,782	36,837	84,782	36,837
Total financial liabilities	109,311	50,612	109,311	50,612

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

- **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 10% movement in market values	3,182	3,182	(3,182)	(3,182)
Possible impact of a 1% movement in interest rates	1,890	1,890	(1,890)	(1,890)
2018				
Possible impact of a 10% movement in market values	2,293	2,293	(2,293)	(2,293)
Possible impact of a 1% movement in interest rates	1,378	1,378	(1,378)	(1,378)

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet due	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	3,270	260	–	–	3,530
2018						

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

\$ '000	Not yet due	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
Gross carrying amount	–	2,893	–	–	–	2,893

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 due	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	11,874	31	65	98	505	12,573
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	3.38%	0.14%
ECL provision	–	–	–	–	17	17
2018						
Gross carrying amount	12,133	115	3	147	396	12,794
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

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

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

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

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	Payable by due date	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Loans and advances	4.22%	–	5,386	32,751	46,645	84,782	84,782
Trade/other payables	0.00%	2,582	–	–	–	2,582	24,529
Total financial liabilities		2,582	5,386	32,751	46,645	87,364	109,311
2018							
Loans and advances	5.37%	–	1,619	12,405	22,813	36,837	36,837

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

\$ '000	Weighted average interest rate	Payable by due date	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
Trade/other payables	0.00%	2,292	11,483	–	–	13,775	13,775
Total financial liabilities		2,292	13,102	12,405	22,813	50,612	50,612

Loan agreement breaches

There have been Nil loan agreement breaches during the 2019 financial year.

Note 19. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 28 June 2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 Variance	
REVENUES				
Rates and annual charges	69,640	70,158	518	1% F
User charges and fees	28,686	33,652	4,966	17% F
<i>Variance is largely attributed to the receipt of an additional NSW RMS Contract that was not received until after the original budget.</i>				
Interest and investment revenue	4,823	7,063	2,240	46% F
<i>Given the volatility of the investment markets, QPRC budgets for investment income very conservatively. Therefore, returns on investment are often higher than budgeted. In addition, a combination of higher than expected grant funds and slower than expected expenditure on capital projects saw QPRC hold a much larger than expected volume of cash assets for investment resulting in a higher value in investment income compared to budget.</i>				
Other revenues	2,068	2,147	79	4% F
Operating grants and contributions	11,156	17,494	6,338	57% F
<i>A number of operating grants were received after the adoption of the operating budget.</i>				
Capital grants and contributions	42,106	64,780	22,674	54% F
<i>Variance attributed to higher than expected developer contributions across a number of developments.</i>				
EXPENSES				
Employee benefits and on-costs	43,534	41,882	1,652	4% F

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----		
Borrowing costs	2,411	2,965	(554)	(23)%	U
<i>QPRC borrowed more than originally budgeted. As a consequence, QPRC's borrowing costs for 2019 were higher than expected.</i>					
Materials and contracts	43,808	40,275	3,533	8%	F
Depreciation and amortisation	21,014	24,909	(3,895)	(19)%	U
<i>Variance attributed to the capitalisation of 2018 WIP after the adoption of the 2019 Budget.</i>					
Other expenses	9,990	13,459	(3,469)	(35)%	U
<i>Variance attributed to the expenditure to Community groups related to additional grants received after adoption of the original budget.</i>					
Net losses from disposal of assets	1,003	3,232	(2,229)	(222)%	U
<i>Variance attributed to the disposal of the former Queanbeyan administration building which was not included in the original budget.</i>					
Revaluation decrement / impairment of IPP&E	-	-	-	∞	F

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	76,490	95,790	19,300	25%	F
<i>A combination of unexpected grant income and a slower than expected expenditure of funds throughout 2019 have resulted in a higher than expected cash result.</i>					
Net cash provided from (used in) investing activities	(142,792)	(147,293)	(4,501)	3%	U
<i>Due to the increased cash result, QPRC was able to invest more cash assets than expected.</i>					
Net cash provided from (used in) financing activities	40,791	47,907	7,116	17%	F
<i>QPRC brought forward an expected 2020 loan into 2019. This occurred after the adoption of the original budget.</i>					

Note 20. Fair Value Measurement

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

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

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as 'held for sale'

In order to determine an appropriate value for sale, external guidance was sought from appropriately qualified experts to provide a current value for assets 'held for sale'.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

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

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

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

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– 'Financial assets at fair value through other comprehensive income'		30/06/19	–	31,933	–	31,933
Total financial assets			–	31,933	–	31,933
Infrastructure, property, plant and equipment						
	10(a)					
Plant and Equipment		13/05/16	–	–	10,346	10,346
Office Equipment		13/05/16	–	–	2,007	2,007
Furniture and Fittings		13/05/16	–	–	138	138
Operational Land		13/05/16	–	–	50,634	50,634
Community Land		13/05/16	–	–	69,456	69,456
Crown Land		13/05/16	–	–	23,186	23,186
Land Under Roads		13/05/16	–	–	3,513	3,513
Park Structures		13/05/16	–	–	30,030	30,030
Buildings – Non Specialised		13/05/16	–	–	20,307	20,307
Buildings – Specialised		13/05/16	–	–	47,911	47,911
Other Structures		13/05/16	–	–	–	–
Roads		13/05/16	–	–	568,719	568,719
Bridges		13/05/16	–	–	41,246	41,246
Footpaths		13/05/16	–	–	26,160	26,160
Other Road Assets		13/05/16	–	–	32,551	32,551
Bulk Earthworks (Non-depreciable)		13/05/16	–	–	–	–
Storm Water Drainage		13/05/16	–	–	111,449	111,449
Water Supply Network		30/06/19	–	–	104,799	104,799
Sewerage Network		30/06/19	–	–	156,012	156,012
Recycled Water Network		13/05/16	–	–	–	–
Swimming Pools		13/05/16	–	–	2,116	2,116
Other open space/recreational assets		13/05/16	–	–	–	–
Other Infrastructure		13/05/16	–	–	–	–
Library Books		13/05/16	–	–	338	338
Tip Assets		13/05/16	–	–	382	382
Total infrastructure, property, plant and equipment			–	–	1,301,300	1,301,300
Non-current assets classified as 'held for sale'						
	9					

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Land		13/05/16	–	–	520	520
Total NCA's classified as 'held for sale'			–	–	520	520

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**Financial assets**

Investments	6(b)					
– 'Designated at fair value on initial recognition'		30/06/18	–	22,937	–	22,937
Total financial assets			–	22,937	–	22,937

Infrastructure, property, plant and equipment

Plant and Equipment	10(a)	13/05/16	–	–	10,645	10,645
Office Equipment		13/05/16	–	–	4,518	4,518
Furniture and Fittings		13/05/16	–	–	155	155
Operational Land		13/05/16	–	–	57,845	57,845
Community Land		13/05/16	–	–	84,963	84,963
Crown Land			–	–	–	–
Land Under Roads		13/05/16	–	–	288	288
Park Structures		13/05/16	–	–	29,219	29,219
Buildings – Non Specialised		13/05/16	–	–	20,585	20,585
Buildings – Specialised		13/05/16	–	–	44,696	44,696
Other Structures		13/05/16	–	–	–	–
Roads		13/05/16	–	–	564,122	564,122
Bridges		13/05/16	–	–	40,230	40,230
Footpaths		13/05/16	–	–	25,931	25,931
Other Road Assets		13/05/16	–	–	32,828	32,828
Bulk Earthworks (Non-depreciable)		13/05/16	–	–	–	–
Storm Water Drainage		13/05/16	–	–	110,979	110,979
Water Supply Network		30/06/18	–	–	102,431	102,431
Sewerage Network		30/06/18	–	–	156,883	156,883
Recycled Water Network		13/05/16	–	–	–	–
Swimming Pools		13/05/16	–	–	2,104	2,104
Other open space/recreational assets		13/05/16	–	–	–	–
Other Infrastructure		13/05/16	–	–	–	–
Library Books		13/05/16	–	–	112	112
Tip Assets		13/05/16	–	–	843	843
Total infrastructure, property, plant and equipment			–	–	1,289,377	1,289,377

Non-current assets classified as 'held for sale'

Land	9	13/05/16	–	–	–	–
Total NCA's classified as 'held for sale'			–	–	–	–

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

Financial assets

Where investments are valued at fair value through Profit or Loss, Council obtains valuations from its investment adviser (Laminar Capital) at the end of each reporting period ensuring financial statements reflect the most up to date valuation.

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

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

Upon amalgamation, QPRC received the level 3 unobservable inputs of both former Councils. It was realised the unobservable inputs significantly differed. QPRC undertook an independent valuation through Pickles Valuation Services to gather, consolidate and provide a valuation for all infrastructure assets of QPRC.

(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	9,266	1,061	150	53,138	84,911
Purchases (GBV)	4,523	4,146	38	4,707	52
Disposals (WDV)	(852)	–	–	–	–
Depreciation and impairment	(2,292)	(689)	(33)	–	–
Other asset transfers	–	–	–	–	–
Closing balance	10,645	4,518	155	57,845	84,963
2019					
Opening balance	10,645	4,518	155	57,845	84,963
Transfers from/(to) another asset class	–	–	–	(6,811)	(16,375)
Purchases (GBV)	2,835	323	10	–	868
Disposals (WDV)	(607)	–	–	–	–
Depreciation and impairment	(2,702)	(866)	(27)	–	–
Other asset transfers	175	(1,968)	–	(400)	–
Closing balance	10,346	2,007	138	50,634	69,456

\$ '000	Crown Land	Land under Roads	Park structures	Buildings non-specialised	Building specialised
2018					
Opening balance	–	255	27,123	21,082	44,706
Purchases (GBV)	–	33	3,231	370	1,392
Disposals (WDV)	–	–	(66)	–	(16)
Depreciation and impairment	–	–	(1,069)	(867)	(1,386)
Other asset transfers	–	–	–	–	–
Closing balance	–	288	29,219	20,585	44,696
2019					
Opening balance	–	288	29,219	20,585	44,696
Transfers from/(to) another asset class	23,186	–	–	–	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Crown Land	Land under Roads	Park structures	Buildings non-specialised	Building specialised
Purchases (GBV)	–	3,225	2,057	2,947	4,649
Disposals (WDV)	–	–	(124)	(2,257)	(2)
Depreciation and impairment	–	–	(1,122)	(827)	(1,432)
Other asset transfers	–	–	–	(141)	–
Closing balance	23,186	3,513	30,030	20,307	47,911

\$ '000	Roads	Bridges	Footpaths	Other road assets	Stormwater drainage
2018					
Opening balance	550,360	40,208	23,758	30,796	108,926
Purchases (GBV)	24,270	952	2,626	2,626	3,755
Disposals (WDV)	(3,792)	(227)	(75)	(59)	(19)
Depreciation and impairment	(6,716)	(703)	(378)	(535)	(1,683)
Other asset transfers	–	–	–	–	–
Closing balance	564,122	40,230	25,931	32,828	110,979
2019					
Opening balance	564,122	40,230	25,931	32,828	110,979
Purchases (GBV)	12,632	1,736	633	346	2,240
Disposals (WDV)	(961)	–	(17)	(81)	–
Depreciation and impairment	(7,074)	(721)	(387)	(542)	(1,770)
Other asset transfers	–	1	–	–	–
Closing balance	568,719	41,246	26,160	32,551	111,449

\$ '000	Water supply network	Sewerage network	Swimming pools
2018			
Opening balance	92,993	153,940	2,189
Purchases (GBV)	3,242	8,831	–
Disposals (WDV)	(77)	–	(85)
Depreciation and impairment	(1,535)	(3,629)	–
FV gains – other comprehensive income	7,808	–	–
Revaluation Decrement	–	(2,259)	–
Other asset transfers	–	–	–
Closing balance	102,431	156,883	2,104
2019			
Opening balance	102,431	156,883	2,104
Purchases (GBV)	3,057	1,324	99
Disposals (WDV)	(266)	(16)	–
Depreciation and impairment	(2,074)	(4,636)	(86)
FV gains – other comprehensive income	1,650	2,457	–
Other asset transfers	1	–	(1)
Closing balance	104,799	156,012	2,116

\$ '000	Library books	Tip assets	Total
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2018

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Library books	Tip assets	Total
Opening balance	209	1,305	1,246,376
Purchases (GBV)	–	–	64,794
Disposals (WDV)	(97)	(462)	(5,827)
Depreciation and impairment	–	–	(21,515)
FV gains – other comprehensive income	–	–	7,808
Revaluation Decrement	–	–	(2,259)
Other asset transfers	–	–	–
Closing balance	112	843	1,289,377
2019			
Opening balance	112	843	1,289,377
Purchases (GBV)	333	–	39,314
Disposals (WDV)	(106)	(462)	(4,899)
Depreciation and impairment	–	–	(24,266)
FV gains – other comprehensive income	–	–	4,107
Other asset transfers	(1)	1	(2,333)
Closing balance	338	382	1,301,300

Nil

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			
Land – Community	69,456	Market Approach	Land acquired by Council and valued at acquisition cost
Land under Roads	3,513	As per code	Land acquired by Council for roads since 1 July 2008 has been valued at acquisition cost. Further discount has been applied for Englobo and Access.
Buildings-Specialised	47,911	Cost approach	Building construction costs from recent council projects, building cost data from “Rawlinson’s Construction Handbook”, and industry data from building cost manuals.
Buildings – Non Specialised	20,307	Cost approach	Building construction costs from recent council projects, building cost data from “Rawlinson’s Construction Handbook”, and industry data from building cost manuals.
Swimming Pools	2,116	Cost approach	Construction cost data from QPRC and “Rawlinson’s Construction Handbook”.
Other Road Assets	32,551	Cost approach	Cost data/unit rates from recent QPRC projects, and published construction cost manuals such as “Rawlinson’s Construction Handbook”.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Bridges	41,246	Cost approach	Cost data/unit rates from recent QPRC projects, and published construction cost manuals such as "Rawlinson's Construction Handbook"
Stormwater	111,449	Cost approach	Cost data/unit rates from recent QPRC projects, DPI NSW Office of Water Reference Rates Manual, and published construction cost manuals such as "Rawlinson's Construction Handbook"
Water	104,799	Cost approach	Cost data/unit rates from recent QPRC projects, DPI NSW Office of Water Reference Rates Manual, and published construction cost manuals such as "Rawlinson's Construction Handbook"
Sewerage	156,012	Cost approach	Cost data/unit rates from recent QPRC projects, DPI NSW Office of Water Reference Rates Manual, and published construction cost manuals such as "Rawlinson's Construction Handbook".
Park Structures	30,030	Cost approach	Costs sourced from recent purchases by QPRC, catalogues and product brochures from suppliers of park furniture, structures and playground equipment, and prices obtained from landscaping suppliers.

d. The valuation process for level 3 fair value measurements

QPRC engaged the services of an independent valuer to undertake a fair value review of Council's assets. The findings from the undertaking were deemed to be immaterial (<10%). Council intends to undertake a comprehensive revaluation exercise on all Asset classes during the 2020 financial year.

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,914	1,759
Post-employment benefits	194	185
Total	2,108	1,944

(b) Other transactions with KMP and their related parties

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						
Payment of Insurance Premiums	1	1,541	–		–	–
Rent of Premises (KMP Spouse is a Board member)	2	79	–		–	–
Grants awarded to organisation (Two KMP on the board)	5	174	–		–	–
Contributions to sporting bodies	7	51	–		–	–
2018						
Payment of Insurance Premiums	1	1,508	–		–	–
Rent of Premises (KMP Spouse is a Board member)	2	79	–		–	–
KMP reimbursement of Expenses	3	2	–		–	–
Donations of facilities rental (KMP is responsible for event)	4	3	–		–	–
Grants awarded to organisation (Two KMP on the board)	5	54	–		–	–
KMP development application for residence	6	7	–		–	–
Contributions to sporting bodies	7	–	–		–	–

1 KMP is a Board member (non paid) of the Mutual servicing the Local Government industry with insurance products.

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions (continued)

- 2 Spouse of KMP is a volunteer board member of the organisation renting premises from QPRC. Rent is established at market rates.
- 5 QPRC awarded grants to a non profit organisation where two KMP are volunteer members of the organisations board.
- 7 KMP holds a coaching position with a sporting body in receipt of donations.

\$ '000	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
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(c) Other related party transactions

Nil

Note 22. Events occurring after the reporting date

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

Note 23. Statement of developer contributions

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

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

Summary of contributions and levies

as at 30/6/2018

as at 30/6/2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Statement of developer contributions (continued)

	as at 30/6/2018				as at 30/6/2019			
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Roads	5,181	1,154	–	86	(218)	–	6,203	–
Parking	142	–	–	–	(140)	–	2	–
Open space	141	86	–	3	–	8	238	–
Community facilities	3,602	414	–	56	(38)	–	4,034	–
Other	12,177	3,154	–	204	(35)	–	15,500	–
Bushfire	244	10	–	3	(42)	–	215	–
Waste management	275	21	–	4	–	–	300	–
Rural addressing	18	–	–	–	–	–	18	–
Recreation facilities	801	61	–	13	–	–	875	–
Pathway	149	23	–	3	–	–	175	–
Street upgrade	292	79	–	5	–	–	376	–
S7.11 contributions – under a plan	23,022	5,002	–	377	(473)	8	27,936	–
Total S7.11 and S7.12 revenue under plans	23,022	5,002	–	377	(473)	8	27,936	–
S7.11 not under plans	2,125	159	–	33	–	–	2,317	–
S7.11 planning agreements	61	–	11,966	1	–	–	62	–
S64 contributions	17,895	1,095	–	271	(212)	–	19,049	–
Total contributions	43,103	6,256	11,966	682	(685)	8	49,364	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN (former Palerang)

Roads	3,711	627	–	60	(98)	–	4,300	–
Community facilities	1,670	82	–	25	(9)	–	1,768	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
Bushfire	244	10	–	3	(42)	–	215	–	
Waste management	275	21	–	4	–	–	300	–	
Rural addressing	18	–	–	–	–	–	18	–	
Recreation facilities	801	61	–	13	–	–	875	–	
Pathway	149	23	–	3	–	–	175	–	
Street upgrade	292	79	–	5	–	–	376	–	
Total	7,160	903	–	113	(149)	–	8,027	–	
CONTRIBUTION PLAN (former QCC)									
Roads	1,470	527	–	26	(120)	–	1,903	–	
Parking	142	–	–	–	(140)	–	2	–	
Open space	141	86	–	3	–	8	238	–	
Community facilities	1,932	332	–	31	(29)	–	2,266	–	
Other (Googong Development, Extractive Industries - C.S.R)	12,177	3,154	–	204	(35)	–	15,500	–	
Total	15,862	4,099	–	264	(324)	8	19,909	–	
S7.11 Contributions – not under a plan									
(former Palerang)									
Roads	2,007	159	–	31	–	–	2,197	–	
Parking	58	–	–	1	–	–	59	–	
Community facilities	60	–	–	1	–	–	61	–	
Total	2,125	159	–	33	–	–	2,317	–	

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. 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	47,583	6,617	15,958
User charges and fees	15,747	16,084	1,821
Interest and investment revenue	4,233	864	1,966
Other revenues	1,339	545	263
Grants and contributions provided for operating purposes	16,602	472	420
Grants and contributions provided for capital purposes	63,092	584	1,104
Total income from continuing operations	148,596	25,166	21,532
Expenses from continuing operations			
Employee benefits and on-costs	39,139	1,382	1,361
Borrowing costs	2,260	384	321
Materials and contracts	35,629	1,183	3,463
Depreciation and amortisation	17,997	2,110	4,802
Other expenses	(6,225)	15,593	4,091
Net losses from the disposal of assets	2,967	265	–
Total expenses from continuing operations	91,767	20,917	14,038
Operating result from continuing operations	56,829	4,249	7,494
Net operating result for the year	56,829	4,249	7,494
Net operating result attributable to each council fund	56,829	4,249	7,494
Net operating result for the year before grants and contributions provided for capital purposes	(6,263)	3,665	6,390

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

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

Statement of Financial Position by fund

ASSETS**Current assets**

Cash and cash equivalents	6,915	1,761	3,904
Investments	69,168	17,615	39,050
Receivables	7,663	3,742	4,208
Inventories	269	–	–
Other	722	–	–
Non-current assets classified as 'held for sale'	520	–	–
Total current assets	85,257	23,118	47,162

Non-current assets

Investments	46,035	11,724	25,991
Receivables	422	–	–
Infrastructure, property, plant and equipment	1,113,727	109,708	167,558
Intangible assets	7,265	–	–
Total non-current assets	1,167,449	121,432	193,549

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
TOTAL ASSETS	1,252,706	144,550	240,711
LIABILITIES			
Current liabilities			
Payables	20,622	2,767	1,140
Income received in advance	144	35	–
Borrowings	4,604	489	293
Provisions	15,419	–	–
Total current liabilities	40,789	3,291	1,433
Non-current liabilities			
Borrowings	66,662	4,894	7,840
Provisions	935	–	–
Total non-current liabilities	67,597	4,894	7,840
TOTAL LIABILITIES	108,386	8,185	9,273
Net assets	1,144,320	136,365	231,438
EQUITY			
Accumulated surplus	1,144,320	126,908	228,980
Revaluation reserves	–	9,457	2,458
Council equity interest	1,144,320	136,365	231,438
Total equity	1,144,320	136,365	231,438

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.

Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	7,024				
Total continuing operating revenue excluding capital grants and contributions ¹	130,514	5.38%	0.39%	5.82%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	112,522	57.62%	62.37%	52.45%	>60.00%
Total continuing operating revenue ¹	195,294				
3. Unrestricted current ratio					
Current assets less all external restrictions	43,508				
Current liabilities less specific purpose liabilities	32,447	1.34x	2.05x	2.44x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	34,898				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,458	6.39x	6.64x	8.01x	>2.00x

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25(a). Statement of performance measures – consolidated results (continued)

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	4,221	5.72%	5.05%	3.39%	<10.00%
Rates, annual and extra charges collectible	73,788				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	118,980	14.30 mths	9.41 mths	9.00 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	8,322				

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(3.54)%	(6.41)%	14.91%	12.49%	31.28%	14.32%	>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	46.03%	52.51%	95.80%	93.52%	92.92%	81.67%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.34x	2.05x	7.02x	3.23x	32.91x	29.70x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4.26x	4.42x	7.20x	7.08x	20.56x	15.04x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	5.09%	5.00%	7.30%	6.93%	7.09%	4.41%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	24.78	10.64	1.51	3.07	1.51	11.98	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

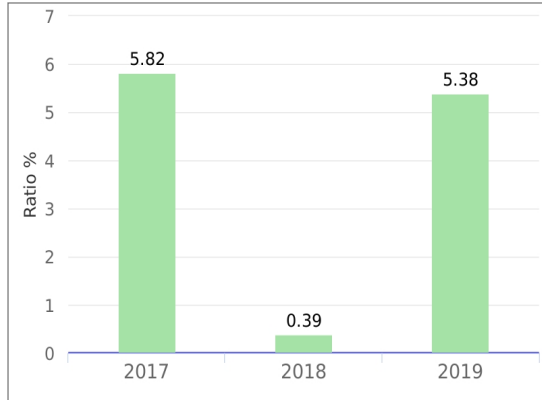
(1) - (2) Refer to Notes at Note 25a above.

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

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

Note 25(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2018/19 result

2018/19 ratio 5.38%

A combination of higher than expected grant receipts with slower than expected expenditure has resulted in a large operating surplus in 2019. QPRC expects this ratio to decrease in 2020.

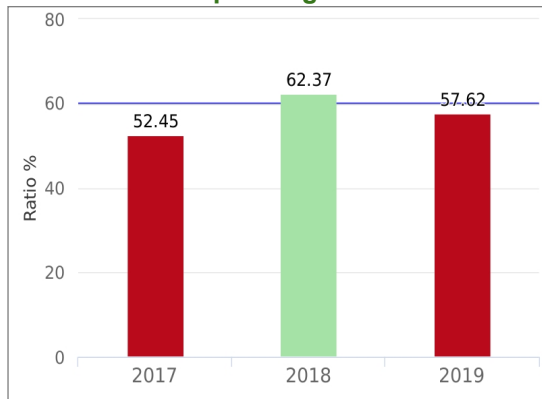
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2018/19 result

2018/19 ratio 57.62%

A consequence of receiving higher than expected Grant receipts during 2019 is that Council's own source revenue as a percentage of total revenue will fall. It is expected that this ratio will return above the benchmark in 2020.

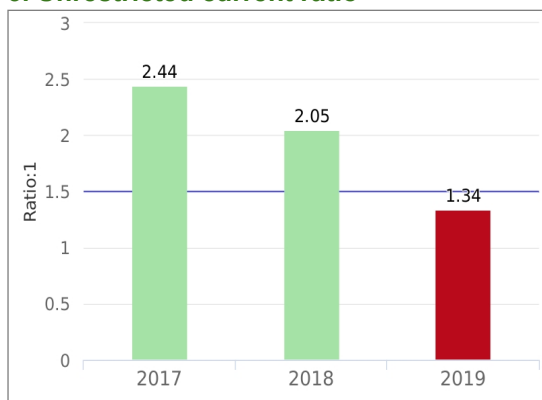
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2018/19 result

2018/19 ratio 1.34x

Due to the large works program in 2019, QPRC carried a higher than usual WIP balance at the end of the year. This WIP balance resulted in a larger than usual payables balance at year end. This in turn impacted the Unrestricted Cash Ratio negatively. It is expected that this ratio will return above benchmark in 2020.

Benchmark: — > 1.50x

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

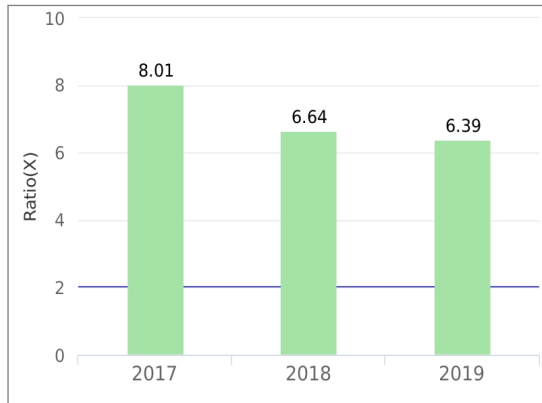
Ratio achieves benchmark

Ratio is outside benchmark

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

Note 25(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2018/19 result

2018/19 ratio 6.39x

Whilst a significant Loan program in 2019 would have seen a lowering of this ratio, that movement was offset by the higher than expected operating result. It is expected that this ratio will reduce in 2020, but remain above benchmark.

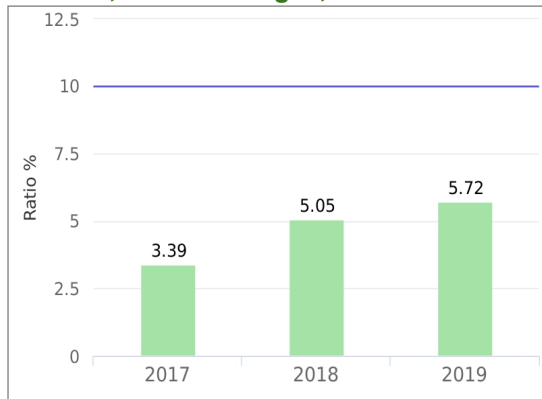
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2018/19 result

2018/19 ratio 5.72%

Through active and diligent recovery practices, QPRC is able to maintain it Rates and Charges outstanding at a low level.

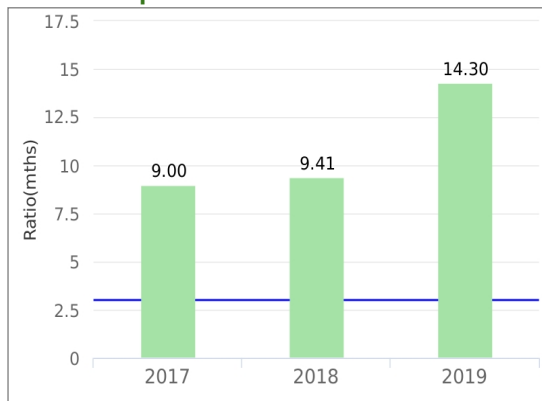
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 14.30 mths

A larger than expected cash result in 2019 has resulted in Councils ability to meet its expenditure obligations increase. It is expected that this ratio will reduce in 2020, but remain above benchmark.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26. Council information and contact details

Principal place of business:

256 Crawford Street
Queanbeyan NSW 2620

Contact details**Mailing Address:**

PO Box 90
Queanbeyan NSW 2620

Telephone: 02 6285 6000

Opening hours:

8:30am - 4:30pm - Weekdays

Internet: www.qprc.nsw.gov.au

Email: council@qprc.nsw.gov.au

Officers**Chief Executive Officer**

Peter Tegart

Responsible Accounting Officer

Kate Monaghan

Auditors

Audit Office of New South Wales
Level 19, Tower 2 Darling Park, 201 Sussex Street
Sydney NSW 2000

Elected members**Mayor**

Cr Timothy Overall

Councillors

Cr Brian Brown
Cr Kenrick Winchester
Cr Mark Schweikert
Cr Michele Biscotti
Cr Peter Bray AM
Cr Pete Harrison
Cr Peter Marshall
Cr Radmila Noveska
Cr Trevor Hicks
Cr Trudy Taylor

Other information

ABN: 95 933 070 982



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Queanbeyan-Palerang Regional Council

To the Councillors of the Queanbeyan-Palerang Regional Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

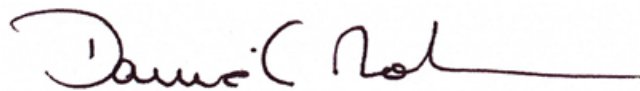
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in dark ink, appearing to read "David Nolan", with a long horizontal flourish extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 October 2019
SYDNEY



Cr Tim Overall
 Mayor
 Queanbeyan-Palerang Regional Council
 PO Box 90
 QUEANBEYAN NSW 2620

Contact: David Nolan
 Phone no: 02 9275 7377
 Our ref: D1923131/1780

25 October 2019

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2019
 Queanbeyan-Palerang Regional Council**

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

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

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

INCOME STATEMENT

Operating result

	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	70.2	67.1	↑ 4.6
Grants and contributions revenue	82.3	66.1	↑ 24.5
Operating result for the year	68.6	46.5	↑ 47.5
Net operating result before capital grants and contributions	3.8	(4.1)	↑ 193

Council's operating result of \$68.6 million (including the effect of depreciation and amortisation expense of \$24.9 million) was \$22.1 million higher than the 2017–18 result. The increase from the previous period is mainly due to an increase in grants and contributions received of \$16.2 million.

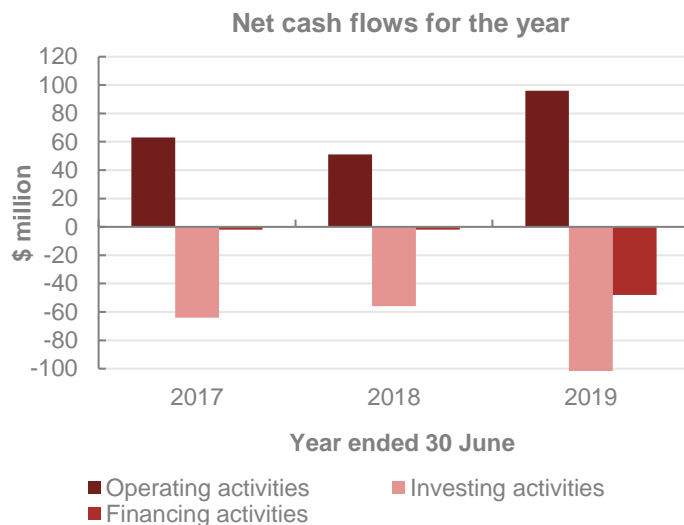
The net operating result before capital grants and contributions of \$3.8 million was \$7.9 million higher than the 2017–18 result. The increase is mainly due to the decrease in materials and contracts expenses of \$9.4 million.

Rates and annual charges revenue of \$70.2 million increased by \$3.0 million (4.5 per cent) in 2018–2019. The variance is largely attributed to the 2.3 per cent rate peg increase and the rise in the total number of rateable properties.

STATEMENT OF CASH FLOWS

Council's cash and cash equivalents balance at 30 June 2019 was \$12.6 million. The net cash flow for the period was a decrease of \$3.6 million.

The reduction is mainly due to investing in longer term deposits and holding fewer funds in cash and cash equivalents.



FINANCIAL POSITION

Cash and investments

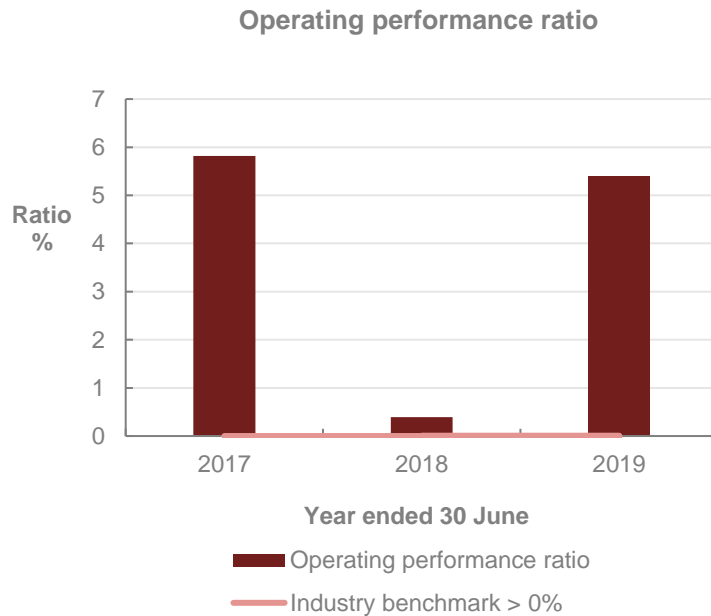
Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	187.8	142.8	Externally restricted balances include unspent specific purpose grants, contributions and domestic waste charges, and water and sewerage funds.
Internal restrictions	24.4	20.6	
Unrestricted	9.9	3.7	
Cash and investments	222.1	167.1	Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.

PERFORMANCE

Operating performance ratio

Council's operating performance ratio of 5.38 per cent in 2018–19 continues to exceed the benchmark. The increase in the current year is mainly due to a combination of higher than expected grant receipts and lower than expected materials and contracts expenditure.

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.

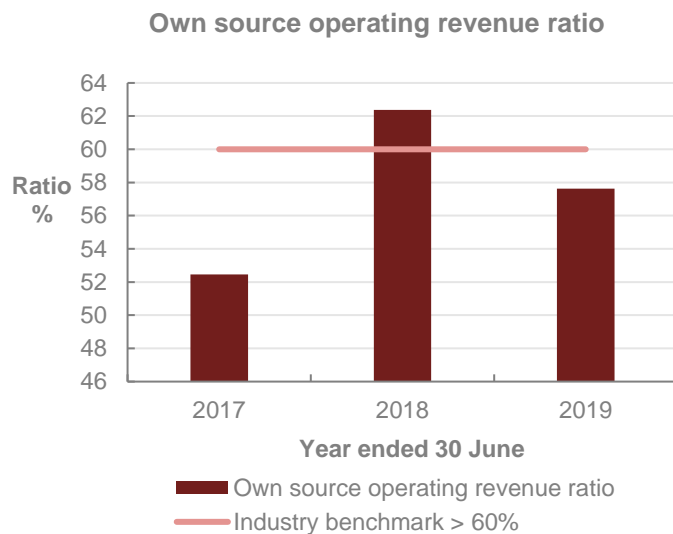


Own source operating revenue ratio

The indicator of 57.6 per cent was below the industry benchmark of greater than 60 per cent.

The decrease in the current year is mainly due to the receipt of higher than expected grant receipts 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.

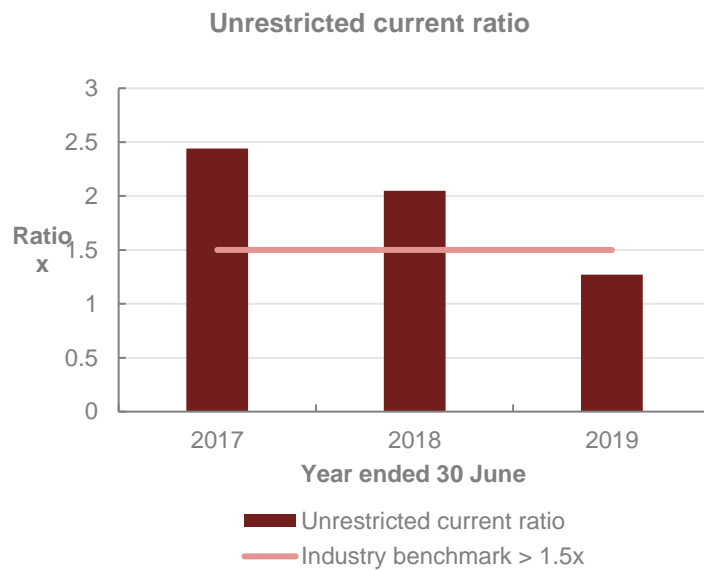


Unrestricted current ratio

This ratio indicated that Council currently had 1.3 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities. This was under the industry benchmark.

The Council did not meet the benchmark due to a larger than usual capital works program resulting in large payables at the year end. This had a negative impact on the unrestricted current ratio.

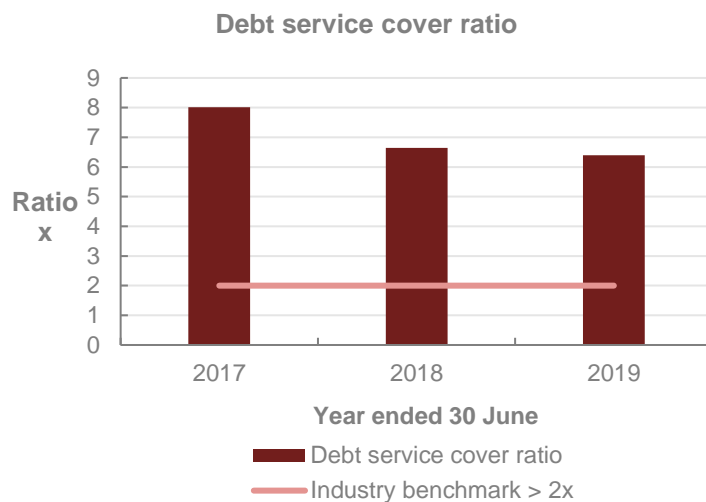
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

Council has continued to exceed the benchmark for this ratio at 6.4. The debt service cover ratio has reduced due to Council entering into a significant loan program in 2018–19, by increasing borrowings to \$84.8 million at 30 June 2019 (\$36.8 million at 30 June 2018). The movement was offset by a higher than expected operating result.

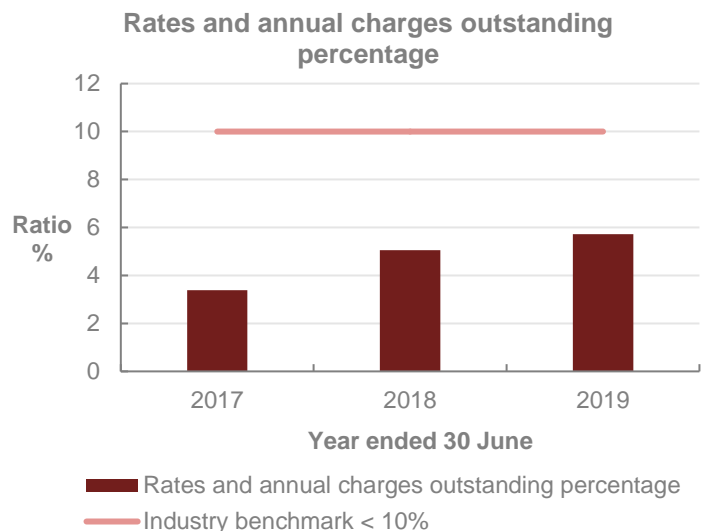
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

Performance at 5.7 per cent is better than benchmark and has improved from 5.1 per cent in the prior year.

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



Cash expense cover ratio

Council continues to exceed the benchmark at 14.3 months despite increases spending on new infrastructure in the current year. This is due to a larger than expected cash result in 2018–19.

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 performance is as follows:

- asset renewals were \$29.8 million in 2018–19 compared to \$16.0 million in the prior year
- the unaudited infrastructure renewals ratio was 152.5 per cent compared to 81.0 per cent in the prior year (the benchmark set by OLG is 100).

OTHER MATTERS

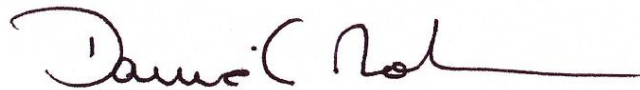
New accounting standards implemented

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

Legislative compliance

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

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



David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Peter Tegart, Chief Executive Officer
Andrew Cox, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Queanbeyan-Palerang Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Our reputation matters



Special Purpose Financial Statements

for the year ended 30 June 2019

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

Background

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

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

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

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

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

Special Purpose Financial Statements
for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 11 September 2019.



Cr Timothy Overall
Mayor
22 October 2019



Cr Trudy Taylor
Deputy Mayor
22 October 2019



Peter Tegart
Chief Executive Officer
22 October 2019



Kate Monaghan
Responsible Accounting Officer
22 October 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	6,617	6,296
User charges	15,927	16,448
Fees	157	205
Interest	864	536
Grants and contributions provided for non-capital purposes	472	91
Other income	545	622
Total income from continuing operations	24,582	24,198
Expenses from continuing operations		
Employee benefits and on-costs	1,382	1,039
Borrowing costs	384	211
Materials and contracts	1,183	1,728
Depreciation, amortisation and impairment	2,110	1,572
Water purchase charges	12,152	13,461
Loss on sale of assets	265	72
Other expenses	3,441	3,093
Total expenses from continuing operations	20,917	21,176
Surplus (deficit) from continuing operations before capital amounts	3,665	3,022
Grants and contributions provided for capital purposes	584	1,578
Surplus (deficit) from continuing operations after capital amounts	4,249	4,600
Surplus (deficit) from all operations before tax	4,249	4,600
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,008)	(831)
SURPLUS (DEFICIT) AFTER TAX	3,241	3,769
Plus accumulated surplus	122,659	118,059
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	1,008	831
Closing accumulated surplus	126,908	122,659
Return on capital %	3.7%	3.0%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	3,241	3,769
Less: capital grants and contributions (excluding developer contributions)	(584)	(659)
Surplus for dividend calculation purposes	2,657	3,110
Potential dividend calculated from surplus	1,329	1,555

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	15,958	15,287
User charges	540	618
Liquid trade waste charges	44	42
Fees	1,237	1,084
Interest	1,966	1,945
Grants and contributions provided for non-capital purposes	420	90
Other income	263	294
Total income from continuing operations	20,428	19,360
Expenses from continuing operations		
Employee benefits and on-costs	1,361	2,473
Borrowing costs	321	367
Materials and contracts	3,463	4,383
Depreciation, amortisation, impairment and revaluation decrement	4,802	6,050
Other expenses	4,091	3,314
Total expenses from continuing operations	14,038	16,587
Surplus (deficit) from continuing operations before capital amounts	6,390	2,773
Grants and contributions provided for capital purposes	1,104	4,235
Surplus (deficit) from continuing operations after capital amounts	7,494	7,008
Surplus (deficit) from all operations before tax	7,494	7,008
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,757)	(763)
SURPLUS (DEFICIT) AFTER TAX	5,737	6,245
Plus accumulated surplus	221,486	214,478
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	1,757	763
Closing accumulated surplus	228,980	221,486
Return on capital %	4.0%	1.9%
Subsidy from Council	–	1,148
Calculation of dividend payable:		
Surplus (deficit) after tax	5,737	6,245
Less: capital grants and contributions (excluding developer contributions)	(1,104)	(2,274)
Surplus for dividend calculation purposes	4,633	3,971
Potential dividend calculated from surplus	2,316	1,986

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	1,761	5,150
Investments	17,615	10,477
Receivables	3,742	5,145
Total current assets	23,118	20,772
Non-current assets		
Investments	11,724	10,793
Infrastructure, property, plant and equipment	109,708	108,730
Total non-current assets	121,432	119,523
TOTAL ASSETS	144,550	140,295
LIABILITIES		
Current liabilities		
Payables	2,767	3,947
Income received in advance	35	27
Borrowings	489	359
Total current liabilities	3,291	4,333
Non-current liabilities		
Borrowings	4,894	5,495
Total non-current liabilities	4,894	5,495
TOTAL LIABILITIES	8,185	9,828
NET ASSETS	136,365	130,467
EQUITY		
Accumulated surplus	126,908	122,659
Revaluation reserves	9,457	7,808
TOTAL EQUITY	136,365	130,467

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	3,904	10,761
Investments	39,050	18,498
Receivables	4,208	1,514
Total current assets	47,162	30,773
Non-current assets		
Investments	25,991	36,427
Infrastructure, property, plant and equipment	167,558	163,055
Total non-current assets	193,549	199,482
TOTAL ASSETS	240,711	230,255
LIABILITIES		
Current liabilities		
Payables	1,140	397
Borrowings	293	256
Total current liabilities	1,433	653
Non-current liabilities		
Borrowings	7,840	8,116
Total non-current liabilities	7,840	8,116
TOTAL LIABILITIES	9,273	8,769
NET ASSETS	231,438	221,486
EQUITY		
Accumulated surplus	228,980	221,486
Revaluation reserves	2,458	–
TOTAL EQUITY	231,438	221,486

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water Supplies

Provision of water services to the Local Government Area.

b. Sewerage Services

Provision of waste water services to the Local Government Area.

Category 2

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

Nil

Monetary amounts

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

Queanbeyan-Palerang Regional Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date.

Local government rates and charges

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

Loan and debt guarantee fees

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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

Council has not elected to apply a dividend payment to the Water and Sewer funds during the 2019 financial year.



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Queanbeyan-Palerang Regional Council

To the Councillors of the Queanbeyan-Palerang Regional Council

Opinion

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

The declared business activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

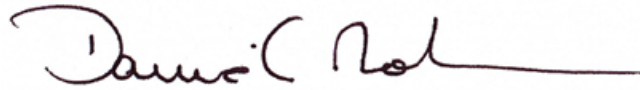
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

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

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 October 2019
SYDNEY

Queanbeyan-Palerang Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

Our reputation matters



Special Schedules

for the year ended 30 June 2019

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

		2019/20		2019/20	2018/19		2018/19
		Palerang	Queanbeyan City	Queanbeyan-Pal erang Regional Council	Palerang	Queanbeyan City	Queanbeyan-Pal erang Regional Council
\$ '000							
Notional general income calculation ¹							
Last year notional general income yield	a	9,272	27,056	36,328	8,987	25,896	34,883
Plus or minus adjustments ²	b	120	275	395	75	571	646
Notional general income	c = a + b	9,392	27,331	36,723	9,062	26,467	35,529
Permissible income calculation							
Or rate peg percentage	e	2.70%	2.70%		2.30%	2.30%	
Or plus rate peg amount	i = e x (c + g)	254	738	992	208	609	817
Sub-total	k = (c + g + h + i + j)	9,646	28,069	37,715	9,270	27,076	36,346
Plus (or minus) last year's carry forward total	l	(4)	8	4	2	5	7
Less valuation objections claimed in the previous year	m	(1)	(62)	(63)	(5)	(79)	(84)
Sub-total	n = (l + m)	(5)	(54)	(59)	(3)	(74)	(77)
Total permissible income	o = k + n	9,641	28,015	37,656	9,267	27,002	36,269
Less notional general income yield	p	9,484	28,047	37,531	9,272	27,056	36,328
Catch-up or (excess) result	q = o - p	157	(32)	125	(5)	(54)	(59)
Plus income lost due to valuation objections claimed	r	-	37	37	1	62	63
Carry forward to next year ⁶	t = q + r + s	157	5	162	(4)	8	4

(1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.

(2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.

(6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Queanbeyan-Palerang Regional Council

To the Councillors of Queanbeyan-Palerang Regional Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

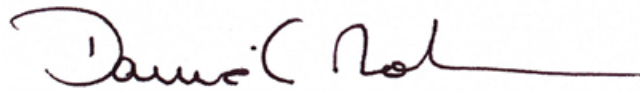
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in dark ink, appearing to read "David Nolan", with a long horizontal flourish extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings	400	400	1,011	927	68,218	120,202	23.0%	43.0%	29.0%	5.0%	0.0%
	Buildings – non-specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	400	400	1,011	927	68,218	120,202	23.0%	43.0%	29.0%	5.0%	0.0%
Other structures	Other structures	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	100.0%
Roads	Sealed roads	886	886	6,310	5,635	568,719	652,427	87.0%	8.0%	4.0%	1.0%	0.0%
	Unsealed roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bridges	7,029	7,029	–	–	41,247	71,884	20.0%	27.0%	43.0%	8.0%	2.0%
	Footpaths	3	3	285	220	26,159	36,382	45.0%	32.0%	21.0%	2.0%	0.0%
	Other road assets	65	65	–	–	32,551	58,250	41.0%	31.0%	27.0%	1.0%	0.0%
	Bulk earthworks	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	7,983	7,983	6,595	5,855	668,676	818,943	76.0%	12.4%	9.8%	1.7%	0.1%
Water supply network	Water supply network	4,544	4,544	2,845	1,903	104,799	161,554	32.0%	36.0%	29.0%	3.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	4,544	4,544	2,845	1,903	104,799	161,554	32.0%	36.0%	29.0%	3.0%	0.0%
Sewerage network	Sewerage network	9,427	9,427	4,854	3,552	156,012	245,831	42.0%	29.0%	15.0%	10.0%	4.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	9,427	9,427	4,854	3,552	156,012	245,831	42.0%	29.0%	15.0%	10.0%	4.0%
Stormwater drainage	Stormwater drainage	11,183	11,183	218	134	111,449	178,038	69.0%	22.0%	3.0%	0.0%	6.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	11,183	11,183	218	134	111,449	178,038	69.0%	22.0%	3.0%	0.0%	6.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost			2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council	2018/19 Required maintenance ^a				1	2	3	4	5
Open space / recreational assets	Swimming pools	2,040	2,040	146	8	2,116	11,666	0.0%	0.0%	83.0%	17.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	2,040	2,040	146	8	2,116	11,666	0.0%	0.0%	83.0%	17.0%	0.0%
Other infrastructure assets	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	100.0%
Park Structure	Park – Park Structure	766	766	311	1,442	27,674	31,844	41.0%	35.0%	22.0%	2.0%	0.0%
	Sub-total	766	766	311	1,442	27,674	31,844	41.0%	35.0%	22.0%	2.0%	0.0%
Waste	Waste Management	–	–	–	–	2,356	2,892	0.0%	100.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	2,356	2,892	0.0%	100.0%	0.0%	0.0%	0.0%
TOTAL - ALL ASSETS		36,343	36,343	15,980	13,821	1,141,300	1,570,970	59.9%	21.4%	14.1%	3.3%	1.3%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	29,809	152.48%	81.01%	140.66%	>=100.00%
Depreciation, amortisation and impairment	19,549				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	36,343	3.18%	2.60%	2.89%	<2.00%
Net carrying amount of infrastructure assets	1,141,300				
Asset maintenance ratio					
Actual asset maintenance	13,821	86.49%	92.02%	67.25%	>100.00%
Required asset maintenance	15,980				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	36,343	2.31%	1.85%	2.11%	
Gross replacement cost	1,570,970				

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

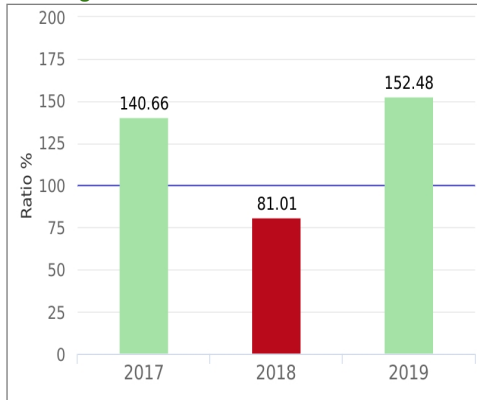
(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

Buildings and infrastructure renewals ratio ¹



Infrastructure renewals ratio

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

Commentary on result

18/19 ratio 152.48%

Council has undertaken a substantial Renewals program in 2019. This has resulted in a backlog reduction which in turn represents an above benchmark Renewals Ratio.

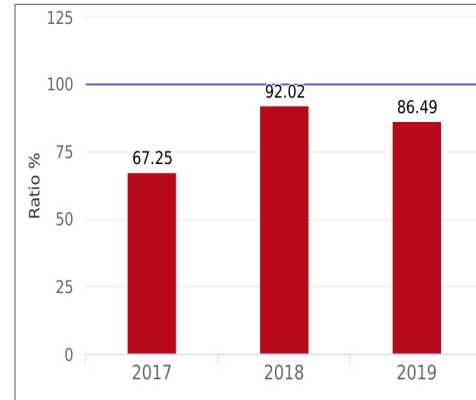
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

18/19 ratio 86.49%

Council has made a strategic decision to focus on renewing assets. A consequence of this action is that there has been a small reduction in maintenance expenditure during 2019 resulting in a lower ratio.

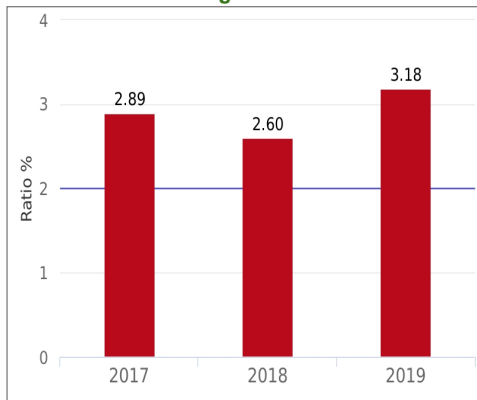
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio ¹



Infrastructure backlog ratio

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

Commentary on result

18/19 ratio 3.18%

The increase in this ratio is attributed to a higher than expected estimated cost to return to satisfactory condition. It is expected that a consequence of QPRC's large capital renewal program that this value will reduce during 2020 bringing this ratio closer to benchmark.

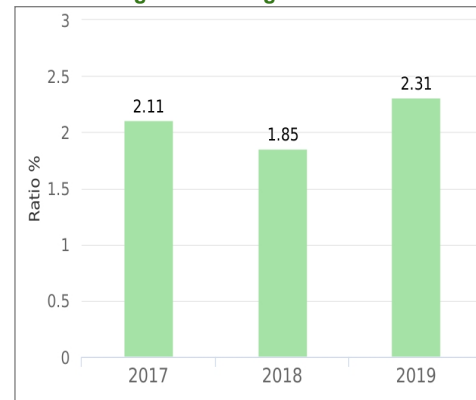
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

18/19 ratio 2.31%

The increase in this ratio is attributed to a higher than expected estimated cost to return to satisfactory condition. It is expected that a consequence of QPRC's large capital renewal program that this value will reduce during 2020 bringing this ratio closer to benchmark.

(1) Excludes Work In Progress (WIP)

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	167.58%	74.66%	37.37%	73.94%	162.19%	77.70%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	2.54%	2.62%	4.34%	1.09%	6.04%	3.45%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	101.03%	121.27%	66.89%	67.52%	73.18%	67.55%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	1.92%	1.93%	2.81%	0.71%	3.83%	2.25%	

(1) Excludes Work In Progress (WIP)

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