

Bogan Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



Comfortable Country Living

Bogan Shire Council

General Purpose Financial Statements for the year ended 30 June 2019

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Overview

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

81 Cobar Street
Nyngan NSW 2825

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.bogan.nsw.gov.au.

Bogan Shire Council

General Purpose Financial Statements for the year ended 30 June 2019

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and 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.

Bogan Shire 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 financial statements:

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

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

Signed in accordance with a resolution of Council made on 22 August 2019.



R L Donald OAM
Mayor
22 August 2019



G R J Neill
Councillor
22 August 2019



D A Francis
General Manager
22 August 2019



S A Waterhouse
Responsible Accounting Officer
22 August 2019

Bogan Shire Council

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual ¹ 2018 \$ '000
Income from continuing operations				
Revenue:				
4,879	Rates and annual charges	3a	4,986	4,786
3,632	User charges and fees	3b	6,504	6,040
314	Interest and investment revenue	3c	329	270
282	Other revenues	3d	387	412
7,143	Grants and contributions provided for operating purposes	3e,f	7,655	8,467
175	Grants and contributions provided for capital purposes	3e,f	4,084	9,176
16,425	Total income from continuing operations		23,945	29,151
Expenses from continuing operations				
6,836	Employee benefits and on-costs	4a	7,251	6,993
77	Borrowing costs	4b	80	77
10,686	Materials and contracts	4c	6,501	6,554
3,777	Depreciation and amortisation	4d	4,016	3,853
1,618	Other expenses	4e	1,605	1,512
–	Net losses from the disposal of assets	5	28	557
–	Revaluation decrement / impairment of IPP&E	4d	424	–
–	Net share of interests in joint ventures and associates using the equity method	14	1	–
22,994	Total expenses from continuing operations		19,906	19,546
(6,569)	Operating result from continuing operations		4,039	9,605
(6,569)	Net operating result for the year		4,039	9,605
(6,569)	Net operating result attributable to Council		4,039	9,605
–	Net operating result attributable to non-controlling interests		–	–
(6,744)	Net operating result for the year before grants and contributions provided for capital purposes		(45)	429

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*

Bogan Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 ¹ \$ '000
Net operating result for the year (as per Income Statement)		4,039	9,605
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	3,940	9,240
Total items which will not be reclassified subsequently to the operating result		3,940	9,240
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		3,940	9,240
Total comprehensive income for the year		7,979	18,845
Total comprehensive income attributable to Council		7,979	18,845

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*

Bogan Shire Council

Statement of Financial Position
as at 30 June 2019

	Notes	2019 \$ '000	2018 ¹ \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	6a	6,282	6,412
Investments	6b	7,800	5,800
Receivables	7	1,386	3,807
Inventories	8	494	398
Other	8	67	66
Total current assets		16,029	16,483
Non-current assets			
Receivables	7	237	129
Infrastructure, property, plant and equipment	9	233,712	226,729
Investments accounted for using the equity method	14	52	53
Total non-current assets		234,001	226,911
TOTAL ASSETS		250,030	243,394
LIABILITIES			
Current liabilities			
Payables	10	654	1,980
Borrowings	10	112	109
Provisions	11	1,664	1,571
Total current liabilities		2,430	3,660
Non-current liabilities			
Borrowings	11	2,420	2,533
Total non-current liabilities		2,420	2,533
TOTAL LIABILITIES		4,850	6,193
Net assets		245,180	237,201
EQUITY			
Accumulated surplus	12	160,621	156,582
Revaluation reserves	12	84,559	80,619
Total equity		245,180	237,201

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*

Bogan Shire Council

Statement of Changes in Equity

for the year ended 30 June 2019

	2019	IPP&E	Total	¹ 2018	IPP&E	Total
	Accumulated	revaluation	equity	Accumulated	revaluation	equity
Notes	surplus	reserve	\$ '000	surplus	reserve	\$ '000
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	156,582	80,619	237,201	146,977	71,379	218,356
Net operating result for the year prior to correction of errors and changes in accounting policies	4,039	–	4,039	9,605	–	9,605
Net operating result for the year	4,039	–	4,039	9,605	–	9,605
Other comprehensive income						
– Gain (loss) on revaluation of IPP&E	–	3,940	3,940	–	9,240	9,240
Other comprehensive income	–	3,940	3,940	–	9,240	9,240
Total comprehensive income (c&d)	4,039	3,940	7,979	9,605	9,240	18,845
Equity – balance at end of the reporting period	160,621	84,559	245,180	156,582	80,619	237,201

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*

Bogan Shire Council

Statement of Cash Flows
for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 \$ '000
Cash flows from operating activities				
Receipts:				
4,778	Rates and annual charges		4,865	4,831
3,712	User charges and fees		7,177	7,101
289	Investment and interest revenue received		275	361
7,410	Grants and contributions		13,981	15,867
–	Bonds, deposits and retention amounts received		25	21
255	Other		1,473	1,768
Payments:				
(7,835)	Employee benefits and on-costs		(7,171)	(6,827)
(3,621)	Materials and contracts		(8,292)	(7,046)
(76)	Borrowing costs		(82)	(80)
–	Bonds, deposits and retention amounts refunded		(20)	(10)
(1,421)	Other		(2,139)	(2,875)
3,491	Net cash provided (or used in) operating activities	13b	10,092	13,111
Cash flows from investing activities				
Receipts:				
426	Sale of investment securities		4,800	4,800
654	Sale of infrastructure, property, plant and equipment		556	485
–	Deferred debtors receipts		6	16
Payments:				
–	Purchase of investment securities		(6,800)	(2,800)
(4,998)	Purchase of infrastructure, property, plant and equipment		(8,674)	(12,562)
(3,918)	Net cash provided (or used in) investing activities		(10,112)	(10,061)
Cash flows from financing activities				
Receipts:				
340	Proceeds from borrowings and advances		–	–
Payments:				
(109)	Repayment of borrowings and advances		(110)	(106)
231	Net cash flow provided (used in) financing activities		(110)	(106)
(196)	Net increase/(decrease) in cash and cash equivalents		(130)	2,944
2,643	Plus: cash and cash equivalents – beginning of year	13a	6,412	3,468
2,447	Cash and cash equivalents – end of the year	13a	6,282	6,412
Additional Information:				
	plus: Investments on hand – end of year	6b	7,800	5,800
	Total cash, cash equivalents and investments		14,082	12,212

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 22/08/2019.

Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

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

Council is a not for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

Council adopted the following Australian Accounting Standards amendments for these financial statements:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB107
- AASB 9 Financial Instruments

This disclosure Initiative helps users of financial statements to better understand changes in an entity's debt.

(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.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

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.

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 which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

New accounting standards and interpretations issued not yet effective

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

Council's assessment of these new standards and interpretations does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

AASB 16 Leases

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

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

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

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

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 \$12,369 refer Note 15.

Of these commitments \$12,369 relate to short-term leases and to low value leases.

Both 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.

The impact of AASB15 is not expected to have a material impact on Council's future financial performance, financial position and cash flows.

AASB 1058 Income of NFP Entities

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

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

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

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

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

The specific impacts of AASB1058 for Council are not expected to have a material impact on Council's future financial performance, financial position and cash flows.

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

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

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

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

The specific impacts of AASB2018-8 for Council are not expected to have a material impact on Council's future financial performance, financial position and cash flows.

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	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
	\$ '000									
Social - Social & Cultural	2	6	180	195	(178)	(189)	–	5	780	855
Social - Community Centres	1,449	535	1,366	1,373	83	(838)	1,372	471	11,256	8,391
Social - Inclusive Communities	1,126	1,078	1,303	1,163	(177)	(85)	849	790	1,305	1,390
Social - Education	–	–	2	2	(2)	(2)	–	–	1	–
Social - Public Health	770	531	1,438	924	(668)	(393)	50	50	1,654	1,769
Social - Emergency Services	110	593	187	181	(77)	412	87	87	761	906
Infrastructure - Transport Networks	7,726	8,615	6,347	6,691	1,379	1,924	3,066	4,063	171,863	171,314
Infrastructure - Water	4,424	10,397	2,806	3,053	1,618	7,344	2,046	8,124	33,884	31,893
Infrastructure - Sewer	689	677	850	770	(161)	(93)	–	–	11,691	12,020
Environmental - Built Environment	586	163	1,735	1,631	(1,149)	(1,468)	429	–	3,212	1,379
Environmental - Waste & Recycling	823	819	846	839	(23)	(20)	–	–	159	764
Environmental - Natural Environment	33	41	123	125	(90)	(84)	33	40	–	10
Environmental - Health, Safety & Regulation	10	22	746	655	(736)	(633)	–	–	15	51
Economic - Local Industries & Business	3	6	61	59	(58)	(53)	–	2	208	215
Economic - Tourism	24	9	98	76	(74)	(67)	–	–	18	–
Economic - Public Transport & Air Services	–	–	78	83	(78)	(83)	–	–	154	148
Civic Leadership - Leadership, Advocacy & Governance	–	–	541	540	(541)	(540)	–	–	224	329
Civic Leadership - Managing Our Business	6,170	5,659	1,199	1,178	4,971	4,481	2,842	2,514	12,845	11,960
Civic Leadership - Disaster Management	–	–	–	8	–	(8)	–	–	–	–
Total functions and activities	23,945	29,151	19,906	19,546	4,039	9,605	10,774	16,146	250,030	243,394

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Social - Social & Cultural

Council function includes not-for-profit community functions where Council assists community organisations to achieve their outcomes. This function also includes Councils community and social development role that helps to apply for Grants for Council and to assist with strategic direction.

Social - Community Centres

Council function includes community facilities maintained by Council such as Parks & Gardens, Sport & Recreation Facilities, Cemetery, Swimming Pool, Library as well as Halls, Museum & Historic Buildings.

Social - Inclusive Communities

Council function supports children, the elderly and people with disabilities. This includes Councils Bogan Bush Mobile Service, Early Learning Centre, Youth Services and Seniors Living.

Social - Education

Council function that supports our local schools with providing access to education at all levels.

Social - Public Health

Council function aims to ensure our community has access to medical services, facilities and programs to enhance and protect health in the community. This includes our Council run Medical Centre as well as support to other health practitioners within the town.

Social - Emergency Services

Council function that supports our fire, police and ambulance services to provide effective and efficient services to the community. This includes administrative support to the District Rural Fire Service as well as hazard reduction programs done in conjunction with the RFS and support to other emergency services.

Infrastructure - Transport Networks

Council function to construct and maintain the Bogan Shire transport network to enable safe and efficient travel and freight throughout the Shire. Council has a large fleet of plant and equipment used primarily to carry out its own roadworks as well as contract work to the Shires highways on behalf of the Roads & Maritime Services. Council maintains its own plant and equipment and uses the plan system to fund this function.

Infrastructure - Water

Council has access to a safe and secure water supply that provides the community with a reliable, safe and cost effective water service to the Nyngan township as well as a raw water supply to Councils villages.

Infrastructure - Sewer

Council has access to a safe and reliable sewerage service.

Environmental - Built Environment

This Council function includes development and building control through respectful planning processes and facilitation of development in line with statutory requirements as well as the building and maintenance of Council owned buildings.

Environmental - Waste & Recycling

Council function that aims to ensure our waste stream is effectively managed. This includes activities such as waste collection, waste recycling and Councils waste disposal facility.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Environmental - Natural Environment

Council function that aims to ensure open space areas are protected and managed to preserve their valued use and biodiversity while minimising the impact of pollution and weeds on the environment. Council has a noxious weeds program that assists to achieve this outcome.

Environmental - Health, Safety & Regulation

This Council function helps to meet compliance and regulatory obligations concerning public health. Activities include environmental administration function, storm water & drainage as well as animal control and other compliance management.

Economic - Local Industries & Business

Council aims to assist local industries and businesses including Tourism to support them to grow and prosper including Councils villages.

Economic - Tourism

Council function aims to ensure Bogan Shire is regarded as a welcoming and attractive place for people to live and visit, producing services, cultural experiences and recreational opportunities. Activities include the Council run visitor information centre.

Economic - Public Transport & Air Services

Council function that aims to ensure Bogan Shire has reliable, cost effective and regular public transport to and from our town. Council does provide and maintain an aerodrome to enable air services to access Nyngan.

Civic Leadership - Leadership, Advocacy & Governance

Council function that aims to achieve open, transparent and effective local government. The activities include Elected Members and the General Manager functions.

Civic Leadership - Managing Our Business

This function of Council aims to achieve effective and responsive management of Councils resources to deliver all goals and strategies. Activities include Corporate Services, Rates, Finance, Information Technology, Records, Customer Service, People & Culture, Human Resources and Occupational Health and Safety.

Civic Leadership - Disaster Management

Council function to ensure Council has the ability to plan, arrange and implement measures for the prevention of, preparation for, response to and recovery from emergencies. An activity of the function is to maintain Council's Levee Bank to prevent future flooding.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	307	301
Farmland	1,716	1,680
Mining	661	582
Business	230	234
Less: pensioner rebates (mandatory)	(8)	(9)
Less: pensioner rebates (Council policy)	(7)	(7)
Rates levied to ratepayers	2,899	2,781
Pensioner rate subsidies received	9	8
Total ordinary rates	2,908	2,789
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	658	645
Water supply services	854	797
Sewerage services	460	459
Waste management services (non-domestic)	132	129
Less: pensioner rebates (mandatory)	(35)	(37)
Less: pensioner rebates (Council policy)	(29)	(31)
Annual charges levied	2,040	1,962
Pensioners' subsidies:		
– Water	10	9
– Sewerage	9	8
– Domestic waste management	19	18
Total annual charges	2,078	1,997
<u>TOTAL RATES AND ANNUAL CHARGES</u>	<u>4,986</u>	<u>4,786</u>

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

Accounting policy for rates and annual 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.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	1,495	1,479
Sewerage services	189	183
Total specific user charges	1,684	1,662
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	6	3
Planning and building regulation	40	26
Private works – section 67	223	261
Regulatory/ statutory fees	3	11
Regulatory fees	1	3
Section 10.7 certificates (EP&A Act)	9	8
Section 603 certificates	5	6
Total fees and charges – statutory/regulatory	287	318
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Admission and service fees	–	6
Cemeteries	28	15
Child care	226	213
Community centres	31	28
Fire and emergency services levy (FESL) implementation	–	1
Leaseback fees – Council vehicles	11	11
Library and art gallery	5	3
Medical centre	683	426
Museum	4	9
Park rents	1	1
Reimbursements	83	121
RMS (formerly RTA) charges (state roads not controlled by Council)	3,437	3,208
Sundry sales	3	–
Waste disposal tipping fees	19	16
Water connection fees	2	2
Total fees and charges – other	4,533	4,060
TOTAL USER CHARGES AND FEES	6,504	6,040

Accounting policy for user charges and fees

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	23	18
– Overdue user fees and charges	9	–
– Cash and investments	292	252
– Other	5	–
TOTAL INTEREST AND INVESTMENT REVENUE	329	270

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	16	14
General Council cash and investments	246	214

Restricted investments/funds – external:

Water fund operations	26	2
Sewerage fund operations	36	40
Domestic waste management operations	5	–

Total interest and investment revenue recognised	329	270
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Accounting policy for interest and investment revenue

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

(d) Other revenues

Rental income – other council properties	162	167
Fines	3	3
Legal fees recovery – rates and charges (extra charges)	2	11
Bogan bush mobile reserve	–	27
Diesel rebate	84	134
Insurance claims recoveries	12	8
Insurance policy rebate	46	35
Sales – general	41	13
Sales – scrap metal	17	13
Other (private works)	7	–
Other (Procurement rebate)	13	–
Other	–	1
TOTAL OTHER REVENUE	387	412

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.

Fines are recognised as revenue the penalty has been applied.

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

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

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019 Operating	2018 Operating	2019 Capital	2018 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,344	1,239	–	–
Financial assistance – local roads component	719	710	–	–
Payment in advance – future year allocation				
Financial assistance – general component	1,394	1,272	–	–
Financial assistance – local roads component	746	726	–	–
Total general purpose	4,203	3,947	–	–
Specific purpose				
Water supplies	505	754	1,541	7,370
Asset management	100	–	–	–
Bushfire and emergency services	87	87	–	–
Child care	840	472	–	–
Community care	–	315	–	–
Community centres	–	–	128	–
Economic development	–	8	–	–
Heritage and cultural	3	–	28	–
Library	24	27	–	–
Library – special projects	–	–	–	90
Medical centre	50	50	–	–
Noxious weeds	33	41	–	–
Recreation and culture	–	–	1,084	351
Street lighting	16	15	–	–
Transport (roads to recovery)	711	1,300	–	–
Transport (other roads and bridges funding)	–	464	869	846
Youth services	3	1	–	–
Wage subsidy apprentices	15	8	–	–
Other (Affordable Seniors Living)	–	–	328	–
Other (Main Street Beautification)	–	–	106	–
Other (Crown Land Management Plans)	100	–	–	–
Total specific purpose	2,487	3,542	4,084	8,657
Total grants	6,690	7,489	4,084	8,657
Grant revenue is attributable to:				
– Commonwealth funding	1,533	2,085	712	–
– State funding	5,157	5,354	3,372	8,657
– Other funding	–	50	–	–
	6,690	7,489	4,084	8,657

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019 Operating	2018 Operating	2019 Capital	2018 Capital
(f) Contributions				
Other contributions:				
Cash contributions				
Childcare	16	–	–	–
Community services	2	1	–	–
Medical centre	–	5	–	–
NRL footy facilities funding	–	–	–	17
Recreation and culture	5	7	–	–
Roads and bridges	–	–	–	75
RMS contributions (regional roads, block grant)	942	965	–	–
SES	–	–	–	40
Total other contributions – cash	965	978	–	132
Non-cash contributions				
Bushfire services	–	–	–	387
Total other contributions – non-cash	–	–	–	387
Total other contributions	965	978	–	519
Total contributions	965	978	–	519
TOTAL GRANTS AND CONTRIBUTIONS	7,655	8,467	4,084	9,176

Accounting policy for grants and contributions

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

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

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

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

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

Council currently has no contribution revenues levied on developers.

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.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	717	600
Add: operating grants recognised as income in the current period but not yet spent	233	272
Add: operating grants recognised as income in the current period received for the provision of goods and services in a future period	–	18
Less: operating grants recognised in a previous reporting period now spent	(706)	(173)
Unexpended and held as restricted assets (operating grants)	<u>244</u>	<u>717</u>
OLG Asset Management Grant \$50K Crown Land Management Plans \$94K Regional/Rural Youth Participation Grant \$1.5K, Rural fire Services \$87K		
Capital grants		
Unexpended at the close of the previous reporting period	51	–
Add: capital grants recognised as income in the current period but not yet spent	531	51
Less: capital grants recognised in a previous reporting period now spent	(51)	–
Unexpended and held as restricted assets (capital grants)	<u>531</u>	<u>51</u>
SCCF Grants Affordable Seniors Living Grants \$345K, Crown Reserves Grant \$37K Drought Communities Programs Grants \$41K Restart NSW Water Storage \$106K		

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	5,537	5,497
Travel expenses	27	26
Employee leave entitlements (ELE)	1,198	1,132
Superannuation	657	628
Workers' compensation insurance	139	130
Fringe benefit tax (FBT)	42	29
Training costs (other than salaries and wages)	116	117
Protective clothing	24	20
Other	47	31
Total employee costs	7,787	7,610
Less: capitalised costs	(536)	(617)
TOTAL EMPLOYEE COSTS EXPENSED	7,251	6,993
Number of 'full-time equivalent' employees (FTE) at year end	89	90

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

(b) Borrowing costs		
	2019	2018
(i) Interest bearing liability costs		
Interest on loans	80	77
Total interest bearing liability costs expensed	80	77
TOTAL BORROWING COSTS EXPENSED	80	77

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.

Bogan Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	10,595	11,713
Contractor and consultancy costs	3,469	3,787
Auditors remuneration ⁽²⁾	44	44
Legal expenses:		
– Legal expenses: debt recovery	6	20
– Legal expenses: other	9	–
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	12	12
Other – APC Feasibility Study	111	748
Total materials and contracts	14,246	16,324
Less: capitalised costs	(7,745)	(9,770)
TOTAL MATERIALS AND CONTRACTS	6,501	6,554

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	12	12
	12	12

2. Auditor remuneration

During the year the following fees were paid or payable 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	44	43
Remuneration for audit and other assurance services	44	43
Total Auditor-General remuneration	44	43

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

Other audit and assurance services (Medical Centre Acquittal for Construction)	–	1
Remuneration for audit and other assurance services	–	1
Total remuneration of non NSW Auditor-General audit firms	–	1
Total Auditor remuneration	44	44

Bogan Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		679	538
Office equipment		75	82
Furniture and fittings		16	14
Infrastructure:			
– Buildings – non-specialised		275	479
– Buildings – specialised		439	202
– Other structures		72	91
– Roads		1,636	1,636
– Bridges		108	109
– Footpaths		90	91
– Stormwater drainage		13	13
– Water supply network		448	436
– Sewerage network		165	162
Total depreciation and amortisation costs		4,016	3,853

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E (continued)			
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
– Buildings – non-specialised		157	–
– Buildings – specialised		267	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		424	–
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		424	–
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		4,440	3,853

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.

Impairment of non-financial assets

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

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

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

Impairment losses for 2018/2019 have been included in the Income Statement as an expense. These losses are a result of the Fair Value of two buildings indentified for demolition in 2019/2020.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	31	15
Bad and doubtful debts	5	19
Bank charges	11	11
Cleaning	12	15
Computer software charges	126	123
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	126	131
Councillor expenses – mayoral fee	20	19
Councillor expenses – councillors' fees	81	79
Councillors' expenses (incl. mayor) – other (excluding fees above)	57	56
Donations, contributions and assistance to other organisations (Section 356)	44	79
Electricity and heating	214	224
Fire and emergency services levy (FESL) implementation costs	–	1
Fire control expenses	60	–
Insurance	436	405
Office expenses (including computer expenses)	22	17
Postage	15	14
Printing and stationery	35	39
Street lighting	135	112
Subscriptions and publications	52	48
Telephone and communications	45	44
Tourism expenses (excluding employee costs)	14	7
Valuation fees	20	17
Other (Rent Paid)	25	24
Other	19	13
<u>TOTAL OTHER EXPENSES</u>	<u>1,605</u>	<u>1,512</u>

Accounting policy for other expenses

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Gain or loss from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Property (excl. investment property)	10		
Less: carrying amount of property assets sold/written off		–	(413)
Net gain/(loss) on disposal		–	(413)
Plant and equipment	10		
Proceeds from disposal – plant and equipment		526	515
Less: carrying amount of plant and equipment assets sold/written off		(536)	(608)
Net gain/(loss) on disposal		(10)	(93)
Infrastructure	10		
Less: carrying amount of infrastructure assets sold/written off		(18)	(51)
Net gain/(loss) on disposal		(18)	(51)
Investments	6b		
Proceeds from disposal/redemptions/maturities – investments		4,800	4,800
Less: carrying amount of investments sold/redeemed/matured		(4,800)	(4,800)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(28)	(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	88	101
Cash-equivalent assets		
– Deposits at call	6,194	6,311
Total cash and cash equivalents	6,282	6,412

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of two 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.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments

\$ '000	2019	2019	2018	2018
	Current	Non-current	Current	Non-current
Investments				
'Financial assets at amortised cost' / 'held to maturity' (2018)	7,800	–	5,800	–
Total investments	7,800	–	5,800	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>14,082</u>	<u>–</u>	<u>12,212</u>	<u>–</u>
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	7,800	–	5,800	–
Total	7,800	–	5,800	–

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

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

Classification

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

- amortised cost
- fair value through profit and loss
- fair value through other comprehensive income – equity instrument

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

Held to maturity investments

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

Recognition and de-recognition

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

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

Impairment of financial assets

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

Bogan Shire Council

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

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	14,082	–	12,212	–
attributable to:				
External restrictions (refer below)	4,225	–	3,414	–
Internal restrictions (refer below)	4,494	–	4,799	–
Unrestricted	5,363	–	3,999	–
	14,082	–	12,212	–

\$ '000	2019		2018	
Details of restrictions				
External restrictions – other				
Specific purpose unexpended grants			775	768
Water supplies			1,141	–
Sewerage services			2,309	2,646
External restrictions – other			4,225	3,414
Total external restrictions			4,225	3,414
Internal restrictions				
Plant and vehicle replacement			693	267
Employees leave entitlement			416	393
Carry over works			191	504
FAG grant in advance			2,140	1,997
Museum			46	37
Other (capital building projects)			274	504
Roads and ancillary services			215	495
Village amenities			90	76
Waste facility			429	521
Other (specific contribution – medical centre)			–	5
Total internal restrictions			4,494	4,799
TOTAL RESTRICTIONS			8,719	8,213

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	276	117	196	86
Interest and extra charges	–	76	–	47
User charges and fees	579	63	648	–
Private works	49	–	290	–
Contributions to works	52	–	–	–
Capital debtors (being sale of assets)				
– Other asset sales	–	–	30	–
Accrued revenues				
– Interest on investments	51	–	11	–
Deferred debtors	5	–	11	–
Government grants and subsidies	344	–	2,435	–
Loans to sporting clubs	1	–	3	–
Net GST receivable	36	–	200	–
Total	1,393	256	3,824	133
Less: provision for impairment				
Rates and annual charges	(7)	–	(17)	–
Interest and extra charges	–	(19)	–	(4)
Total provision for impairment – receivables	(7)	(19)	(17)	(4)
<u>TOTAL NET RECEIVABLES</u>	<u>1,386</u>	<u>237</u>	<u>3,807</u>	<u>129</u>
Externally restricted receivables				
Water supply				
– Specific purpose grants	93	–	–	–
– Rates and availability charges	64	22	47	15
– Other	305	61	1,965	84
Sewerage services				
– Rates and availability charges	29	9	24	8
– Other	34	17	45	4
Domestic waste management	65	21	43	15
Other				
– Other restricted receivables (Non-domestic Waste Management)	9	3	6	2
Total external restrictions	599	133	2,130	128
Unrestricted receivables	787	104	1,677	1
TOTAL NET RECEIVABLES	1,386	237	3,807	129
Movement in provision for impairment of receivables			2019	2018
Balance at the beginning of the year (calculated in accordance with AASB 139)			21	57
+ new provisions recognised during the year			14	19
– amounts already provided for and written off this year			(9)	(55)
Balance at the end of the year			26	21

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating expected credit loss (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 expected credit loss (ECL) for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

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

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

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

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

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

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

Bogan Shire Council

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

Note 8. Inventories and other assets

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	494	–	398	–
Total inventories at cost	494	–	398	–
TOTAL INVENTORIES	494	–	398	–
(b) Other assets				
Prepayments	67	–	66	–
TOTAL OTHER ASSETS	67	–	66	–
Total unrestricted assets	561	–	464	–
TOTAL INVENTORIES AND OTHER ASSETS	561	–	464	–

Accounting policy**Raw materials and stores**

Raw materials and stores 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.

Bogan Shire Council

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

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

Asset class	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	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount	
\$ '000																
Capital work in progress	7,370	–	7,370	–	767	–	–	–	(7,370)	–	–	–	767	–	767	
Plant and equipment	8,461	3,356	5,105	1,257	2	(531)	(679)	–	–	–	–	–	8,407	3,253	5,154	
Office equipment	690	448	242	70	34	(5)	(75)	–	–	1	–	–	738	471	267	
Furniture and fittings	238	124	114	3	3	–	(16)	–	–	–	–	–	227	123	104	
Land:																
– Operational land	336	–	336	–	–	–	–	–	–	(1)	–	–	335	–	335	
– Community land	1,518	–	1,518	–	–	–	–	–	–	(2)	–	243	1,759	–	1,759	
– Crown land	696	–	696	–	–	–	–	–	–	–	–	184	880	–	880	
Infrastructure:																
– Buildings – non-specialised	19,992	11,235	8,757	112	448	–	(275)	(157)	–	(2,551)	–	1,777	13,589	5,478	8,111	
– Buildings – specialised	8,074	5,065	3,009	25	–	–	(439)	(267)	–	4,625	–	610	20,024	12,461	7,563	
– Other structures	4,063	1,079	2,984	718	117	–	(72)	–	–	(2,073)	–	605	3,603	1,324	2,279	
– Roads	98,617	20,170	78,447	1,426	1,218	–	(1,636)	–	–	–	–	–	101,261	21,806	79,455	
– Bridges	14,100	2,036	12,064	–	–	–	(108)	–	–	(1)	–	–	14,100	2,145	11,955	
– Footpaths	3,661	1,933	1,728	–	118	–	(90)	–	–	–	–	–	3,779	2,023	1,756	
– Bulk earthworks (non-depreciable)	63,710	–	63,710	–	–	–	–	–	–	–	–	–	63,710	–	63,710	
– Stormwater drainage	8,249	116	8,133	16	–	–	(13)	–	–	–	–	–	8,265	129	8,136	
– Water supply network	36,071	12,848	23,223	183	1,497	(9)	(448)	–	7,370	–	–	372	45,666	13,478	32,188	
– Sewerage network	14,124	4,831	9,293	–	24	(8)	(165)	–	–	–	–	149	14,361	5,068	9,293	
Other assets:																
– Other	154	154	–	–	–	–	–	–	–	–	–	–	154	154	–	
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	290,124	63,395	226,729	3,810	4,228	(553)	(4,016)	(424)	–	(2)	–	3,940	301,625	67,913	233,712	

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

Asset class \$ '000	as at 30/6/2017			Asset movements during the period 1 July 2017 to 30 June 2018						as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	–	–	–	–	7,370	–	–	–	–	7,370	–	7,370
Plant and equipment	7,869	3,607	4,262	1,937	52	(608)	(538)	–	–	8,461	3,356	5,105
Office equipment	626	366	260	43	21	–	(82)	–	–	690	448	242
Furniture and fittings	274	156	118	–	10	–	(14)	–	–	238	124	114
Land:												
– Operational land	335	–	335	–	1	–	–	–	–	336	–	336
– Community land	1,518	–	1,518	–	–	–	–	–	–	1,518	–	1,518
– Crown land	696	–	696	–	–	–	–	–	–	696	–	696
Infrastructure:												
– Buildings – non-specialised	19,590	10,904	8,686	117	699	(266)	(479)	–	–	19,992	11,235	8,757
– Buildings – specialised	8,180	4,940	3,240	4	–	(33)	(202)	–	–	8,074	5,065	3,009
– Other structures	3,787	1,006	2,781	264	144	(114)	(91)	–	–	4,063	1,079	2,984
– Roads	90,718	22,542	68,176	1,336	1,248	–	(1,636)	–	9,323	98,617	20,170	78,447
– Bridges	11,784	2,144	9,640	–	–	–	(109)	–	2,533	14,100	2,036	12,064
– Footpaths	3,479	1,426	2,053	28	20	–	(91)	(282)	–	3,661	1,933	1,728
– Bulk earthworks (non-depreciable)	65,095	–	65,095	–	–	–	–	(1,385)	–	63,710	–	63,710
– Stormwater drainage	7,237	162	7,075	27	–	–	(13)	–	1,044	8,249	116	8,133
– Water supply network	35,215	9,613	25,602	217	25	(49)	(436)	(2,136)	–	36,071	12,848	23,223
– Sewerage network	13,831	4,527	9,304	–	10	(2)	(162)	–	143	14,124	4,831	9,293
Other assets:												
– Other	154	154	–	–	–	–	–	–	–	154	154	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	270,388	61,547	208,841	3,973	9,600	(1,072)	(3,853)	(3,803)	13,043	290,124	63,395	226,729

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

Increases in the carrying amounts arising on revaluation are credited to the 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.

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	20 to 40
Office furniture	10 to 20	Benches, seats etc.	20 to 40
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	20 to 70
Other plant and equipment	5 to 15	Buildings: other	20 to 70
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Swimming pools	50
Sealed roads: structure	50		
Unsealed roads	20	Other open space/recreational assets	20
Bridge: concrete	130	Other infrastructure	20
Bridge: other	50		
Road pavements	60		
Kerb, gutter and footpaths	40		

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

Land under roads

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

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment (continued)**Land under roads (continued)**

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".

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

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

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	10	–	10	7,370	–	7,370
Infrastructure	45,666	13,478	32,188	36,071	12,848	23,223
Total water supply	45,676	13,478	32,198	43,441	12,848	30,593
Sewerage services						
Infrastructure	14,361	5,068	9,293	14,124	4,831	9,293
Total sewerage services	14,361	5,068	9,293	14,124	4,831	9,293
Domestic waste management						
Plant and equipment	484	79	405	624	167	457
Total DWM	484	79	405	624	167	457
TOTAL RESTRICTED IPP&E	60,521	18,625	41,896	58,189	17,846	40,343

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

\$ '000	Notes	2019	2018
Impairment losses recognised in the Income Statement:			
– Palais Theatre being demolished in 2019/2020		(267)	–
– Old Preschool /Bush Mobile Building being demolished in 2019/2020		(157)	–
Total impairment losses		(424)	–
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	(424)	–

Bogan Shire Council

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

Note 10. Payables and borrowings

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	246	–	982	–
Goods and services – capital expenditure	106	–	743	–
Accrued expenses:				
– Borrowings	28	–	30	–
– Salaries and wages	158	–	147	–
Security bonds, deposits and retentions	19	–	14	–
Historical society	5	–	5	–
Other	92	–	59	–
Total payables	654	–	1,980	–
Borrowings				
Loans – secured ¹	112	2,420	109	2,533
Total borrowings	112	2,420	109	2,533
TOTAL PAYABLES AND BORROWINGS	766	2,420	2,089	2,533

(a) Payables and borrowings relating to restricted assets

	2019		2018	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	26	–	835	–
Sewer	11	–	3	–
Payables and borrowings relating to externally restricted assets	37	–	838	–
Total payables and borrowings relating to restricted assets	37	–	838	–
Total payables and borrowings relating to unrestricted assets	729	2,420	1,251	2,533
TOTAL PAYABLES AND BORROWINGS	766	2,420	2,089	2,533

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 17.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

\$ '000

(b) Changes in liabilities arising from financing activities

Class of borrowings	2018		Non-cash changes			2019
	Opening balance as at 1/7/18	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/19
Loans – secured	2,642	(110)	–	–	–	2,532
TOTAL	2,642	(110)	–	–	–	2,532

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	2,748	(106)	–	–	–	2,642
TOTAL	2,748	(106)	–	–	–	2,642

\$ '000

2019

2018

(c) Financing arrangements

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

Credit cards/purchase cards	20	20
Total financing arrangements	20	20
Drawn facilities as at balance date:		
– Credit cards/purchase cards	10	7
Total drawn financing arrangements	10	7
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	10	13
Total undrawn financing arrangements	10	13

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

Breaches and defaults

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

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.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	780	–	790	–
Long service leave	869	–	756	–
Other leave	15	–	25	–
<u>TOTAL PROVISIONS</u>	<u>1,664</u>	<u>–</u>	<u>1,571</u>	<u>–</u>

(a) Provisions relating to restricted assets

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

\$ '000	2019	2018
(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	960	1,029
	<u>960</u>	<u>1,029</u>

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.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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.

Bogan Shire Council

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

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements in the revaluation of non-current assets.

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

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

(c) Voluntary changes in accounting policies

Council made no voluntary changes in accounting policies during the year

(d) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	6,282	6,412
Less bank overdraft	13	–	–
Balance as per the Statement of Cash Flows		6,282	6,412
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		4,039	9,605
Adjust for non-cash items:			
Depreciation and amortisation		4,016	3,853
Net losses/(gains) on disposal of assets		28	557
Non-cash capital grants and contributions		–	(387)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		424	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		2,272	(818)
Increase/(decrease) in provision for impairment of receivables		5	(36)
Decrease/(increase) in inventories		(96)	(135)
Decrease/(increase) in other current assets		(1)	(27)
Increase/(decrease) in payables		(736)	284
Increase/(decrease) in accrued interest payable		(2)	(3)
Increase/(decrease) in other accrued expenses payable		11	(7)
Increase/(decrease) in other liabilities		38	39
Increase/(decrease) in provision for employee benefits		93	186
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		10,092	13,111
(c) Non-cash investing and financing activities			
Other non-cash items (RFS Buildings)		–	387
Total non-cash investing and financing activities		–	387

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	(1)	–	52	53
Total	(1)	–	52	53

Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2019	2018
North Western Library Co-operative	Joint venture	Book Value	52	53
Total carrying amounts – material joint ventures			52	53

(b) Details

Name of entity	Principal activity	Place of business
North Western Library Co-operative	Joint Purchase of Books & E-Resources	Warren

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018	2019	2018
North Western Library Co-operative	N/A	N/A	25%	25%	25%	25%	25%	25%

(d) Summarised financial information for joint ventures

	North Western Library Co-operative	
	2019	2018
Statement of financial position		
Current assets		
Cash and cash equivalents	2	24
Non-current assets	206	190
Net assets	208	214
Reconciliation of the carrying amount		
Opening net assets (1 July)	214	213
Profit/(loss) for the period	(6)	1
Closing net assets	208	214
Council's share of net assets (%)	25.0%	25.0%
Council's share of net assets (\$)	52	53

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities (continued)

\$ '000

Joint ventures (continued)

(d) Summarised financial information for joint ventures (continued)

	North Western Library Co-operative	
	2019	2018
Statement of comprehensive income		
Income	226	240
Interest income	2	2
Other expenses	(234)	(241)
Profit/(loss) from continuing operations	(6)	1
Total comprehensive income	(6)	1
Share of income – Council (%)	25.0%	25.0%
Profit/(loss) – Council (\$)	(1)	0
Total comprehensive income – Council (\$)	(1)	0

Accounting policy for joint arrangements

The Council has determined that it has only joint ventures

Joint ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 *Investments in Associates and Joint Ventures*. Under this method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

(e) Joint arrangements not recognised

Bogan Shire Council is a member of the Orana Joint Organisation along with Warren, Gilgandra, Narromine Mid-Western and Warrumbungle Shire Councils. This organisation was formed to establish regional priorities and develop strategies and plans for their delivery as well as providing regional leadership to advocate for these priorities on behalf of the Councils involved. The Orana Joint Organisation aims to identify and engage in opportunities across governments and to co-operate with other member Councils in doing so.

Bogan Shire Council

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

Note 15. Commitments

\$ '000	2019	2018
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	345	240
Other (Drought Community Grant Projects)	43	–
Total commitments	388	240
These expenditures are payable as follows:		
Within the next year	388	240
Total payable	388	240
Sources for funding of capital commitments:		
Internally restricted reserves	388	240
Total sources of funding	388	240

Details of capital commitments

Stronger Country Community Fund Grants for Affordable Seniors Living and Nyngan Racecourse Jockeys Rooms \$345K and Drought Communities Grants for Wye Pavillion, Nyngan Pool Splashplay and Historical Sites \$43K

(b) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Later than one year and not later than 5 years	12	–
Total non-cancellable operating lease commitments	12	–

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

Photocopier and Folding machine

Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit plans

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

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

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

Description of the funding arrangements

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

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

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

The additional lump sum contribution for each pooled employer is a share of the total additional contributions of \$40.0 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 past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities as at 30 June 2018.

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

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

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit plans (continued)

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

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 amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2019 was \$88,509.48. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ended 30 June 2018.

Council's expected contribution to the plan for the next annual reporting period is \$95,179.48.

The estimated employer reserves financial position for the pooled employees at 30 June 2019 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1798.7	
Past Service Liabilities	1784.2	100.8%
Vested Benefits	1792.0	100.4%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$110,000 as at 30 June 2019.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(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.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

\$ '000

Risk management

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

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

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

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

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

\$ '000

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

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio 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 there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

(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.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	140	140	(140)	(140)
2018				
Possible impact of a 1% movement in interest rates	122	122	(122)	(122)

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

There are no significant concentrations of credit risk, other than Council has significant credit risk exposures in its local area given the nature of the business.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 – 2 years overdue	2 – 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	246	74	48	25	393
2018						
Gross carrying amount	–	157	60	48	17	282

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

\$ '000

(b) Credit risk (continued)

Receivables – non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 – 30 days overdue	31 – 60 days overdue	61 – 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	1,042	75	25	10	104	1,256
2018						
Gross carrying amount	2,282	1,283	4	2	104	3,675

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	19	543	-	-	562	654
Loans and advances	2.94%	-	186	744	2,327	3,257	2,532
Total financial liabilities		19	729	744	2,327	3,819	3,186
2018							
Trade/other payables	0.00%	14	1,907	-	-	1,921	1,980
Loans and advances	2.94%	-	186	744	2,514	3,444	2,642
Total financial liabilities		14	2,093	744	2,514	5,365	4,622

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

\$ '000

Council's original financial budget for 18/19 was adopted by the Council on 21 June 2018 and is not required to be audited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 Variance*		
REVENUES					
Rates and annual charges	4,879	4,986	107	2%	F
User charges and fees	3,632	6,504	2,872	79%	F
Council received additional funding for RMS contract and ordered works than what was originally budgeted					
Interest and investment revenue	314	329	15	5%	F
Other revenues	282	387	105	37%	F
Council received additional income from the sale of Scrap Metal, additional private works income and insurance rebates from Councils Mutual					
Operating grants and contributions	7,143	7,655	512	7%	F
Council received additional operating grant funds to what was originally budgeted. Council received additional funds for Asset Management and Crown Land Management. Council also received the balance of Albert Priest Feasibility Study and that was budgeted in prior years as well as Water Cartage Grants and Water Purchasing grants due to the drought that were not originally budgeted.					
Capital grants and contributions	175	4,084	3,909	2234%	F
Council received several grants that were not in the original budget for 2018/19 but were budgeted in budget reviews Round 2 of Stronger Country Community Fund Grants totalling \$1,581 million, Regional Road Repair Grant of \$150,000, Crown Reserves Grant of \$45,000 and two separate Drought community grants, the first to stabilise Cockies Rd for \$296,000 and the second for several projects in the community totalling \$1 million. In addition to this Council received the balance of funding from Restart NSW for the Water Storage Dam that was budgeted in 2018.					

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	6,836	7,251	(415)	(6%)	U
Borrowing costs	77	80	(3)	(4%)	U
Materials and contracts	10,686	6,501	4,185	39%	F
Additional materials required due to additional RMS contract and the additional grant funding received.					
Depreciation and amortisation	3,777	4,016	(239)	(6%)	U
Other expenses	1,618	1,605	13	1%	F
Net losses from disposal of assets	-	28	(28)	0%	U
Loss on Disposal of Plant not in the original budget					
Revaluation decrement / impairment of IPP&E	-	424	(424)	0%	U
Impairment of two buildings identified for demolition that was not in the original budget					

STATEMENT OF CASH FLOWS

Cash flows from operating activities	3,491	10,092	6,601	189.1%	F
Additional operating cash flows due to extra RMS contract and ordered works as well as considerable additional grant funding					
Cash flows from investing activities	(3,918)	(10,112)	(6,194)	158.1%	U
Additional investing cash flows are due to additional funding received allowing a further investment in infrastructure for Council as well as the increase in investment securities not originally budgeted.					
Cash flows from financing activities	231	(110)	(341)	(147.6%)	U
Loan taken out was an internal loan and therefore not reflected in the cash flow					

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/19	–	–	5,154	5,154
Office equipment	30/06/19	–	–	267	267
Furniture and fittings	30/06/19	–	–	104	104
Operational land	30/06/19	–	–	335	335
Community and Crown land	30/06/19	–	–	2,639	2,639
Buildings – non-specialised	30/06/19	–	1,256	6,855	8,111
Buildings – specialised	30/06/19	–	–	7,563	7,563
Other structures	30/06/19	–	–	2,279	2,279
Roads	30/06/18	–	–	79,455	79,455
Bulk earthworks	30/06/18	–	–	63,710	63,710
Storm water drainage	30/06/18	–	–	8,136	8,136
Water supply network	30/06/17	–	–	32,188	32,188
Sewerage network	30/06/17	–	–	9,293	9,293
Bridges	30/06/18	–	–	11,955	11,955
Footpaths	30/06/18	–	–	1,756	1,756
Total infrastructure, property, plant and equipment		–	1,256	231,689	232,945

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values: (continued)

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	—	—	5,105	5,105
Office equipment	30/06/18	—	—	242	242
Furniture and fittings	30/06/18	—	—	114	114
Operational land	30/06/17	—	—	336	336
Community and Crown land	30/06/17	—	—	2,214	2,214
Buildings – non-specialised	1/07/13	—	—	8,757	8,757
Buildings – specialised	1/07/13	—	—	3,009	3,009
Other structures	1/07/13	—	—	2,984	2,984
Roads	30/06/18	—	—	78,447	78,447
Bulk earthworks	30/06/18	—	—	63,710	63,710
Storm water drainage	30/06/18	—	—	8,133	8,133
Water supply network	30/06/17	—	—	23,223	23,223
Sewerage network	30/06/17	—	—	9,293	9,293
Bridges	30/06/18	—	—	12,064	12,064
Footpaths	30/06/18	—	—	1,728	1,728
Total infrastructure, property, plant and equipment		—	—	219,359	219,359

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

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

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

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

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

Infrastructure, property, plant and equipment

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to be approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant & Equipment – Graders, Trucks, Rollers, Tractors and Motor Vehicles.
- Office Equipment – Computers, photocopiers, calculators etc.
- Furniture & Fittings – Chairs, Desks etc

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

Operational & Community Land

Operational & Community Land are based on either the Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value, having regard to the highest and best use for the land. Operational Land is based on the Valuer General's land value as these are representative of the actual market values in the Bogan Shire LGA. As these rates were not considered to be observable market evidence they have been classified as Level 3.

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

Buildings – Non-Specialised & Specialised

Non-Specialised & Specialised Buildings have been revalued in 2019 by external valuers, Aspect Property Consultants using the principles of Fair Value as defined in Accounting Standard AASB13 in 2013. They applied the following valuation techniques;

Where a price for an identical asset is not observable, an entity measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

A cost approach was used to value buildings. As these assets were not considered to have observable market evidence they have been classified as Level 3.

Cost Approach

A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

All Residential properties have been valued using the "Market Approach". As these assets were considered to have observable market evidence they have been classified as Level 2 inputs.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

Market Approach

A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (ie similar) assets, liabilities or a group of assets and liabilities, such as a business.

Other Structures

Other Structures comprise the Nyngan Swimming Pool, Aerodrome buildings, playground equipment, lighting, irrigation systems and fencing etc. These assets have been revalued by external valuers, Aspect Property Consultants in 2019 using the principles of Fair Value as defined in Accounting Standard AASB13. They applied the following valuation techniques;

A cost approach was used to value other structures.

As these assets were not considered to have observable market evidence they have been classified as Level 3 inputs.

Cost Approach

A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Roads

Roads comprise road carriageway, roadside shoulders and kerb & gutter. The Cost Approach using Level 3 inputs was used to value this asset class. A revaluation for this asset class was undertaken by APV Valuers & Asset Management as at 30/6/18 based on actual costs and assumptions from Councils Asset Manager and Engineering department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this assets class.

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

Storm Water Drainage

Storm Water Drainage comprises pipes, culverts and associated assets used for surface water to drain from roads.

The Cost Approach using level 3 inputs was used to value these assets. A revaluation for this asset class was undertaken by APV Valuers & Asset Management as at 30/6/18 based on actual costs and assumptions from Council's Asset Manager and Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this assets class.

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

Water Supply Network

Assets within this class comprise treatment works, reservoirs, pumping stations and water pipelines.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

value. Additionally, due to limitations in the historical records of very long lived assets, there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

In 2016/2017 Council has undertaken a revaluation of its Water Assets by external Valuers Australis Asset Advisory Group using the principles of Fair Value as defined in Accounting Standard AASB13. As these values were not considered to contain observable market evidence they have been classified as Level 3.

These assets have been indexed on their 2017/18 values as required by the rate advised by the NSW Reference Rates Manual. In addition to this useful lives have been reviewed no adjustments were considered necessary.

Sewerage Network

Assets within this class comprise treatment works, pumping stations and sewerage mains.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there is uncertainty regarding the actual design, specifications and dimensions of some assets.

In 2016/2017 Council has undertaken a revaluation of its Sewer Assets by external Valuers Australis Asset Advisory Group using the principles of Fair Value as defined in Accounting Standard AASB13. As these values were not considered to contain observable market evidence they have been classified as Level 3.

These assets have been indexed on their 2017/18 values as required by the rate advised by the NSW Reference Rates Manual.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Total
Opening balance – 1/7/17	4,262	260	118	335	4,975
Purchases (GBV)	1,989	64	10	1	2,064
Disposals (WDV)	(608)	–	–	–	(608)
Depreciation and impairment	(538)	(82)	(14)	–	(634)
Closing balance – 30/6/18	5,105	242	114	336	5,797
Purchases (GBV)	1,259	104	6	–	1,369
Disposals (WDV)	(531)	(5)	–	–	(536)
Depreciation and impairment	(679)	(75)	(16)	–	(770)
Other movement (adjustments for rounding)	–	1	–	(1)	–
Closing balance – 30/6/19	5,154	267	104	335	5,860

	Community /Crown land	Buildings non- specialised	Buildings specialised	Other structures	Total
Opening balance – 1/7/17	2,214	8,686	3,240	2,781	16,921
Purchases (GBV)	–	816	4	408	1,228
Disposals (WDV)	–	(266)	(33)	(114)	(413)
Depreciation and impairment	–	(479)	(202)	(91)	(772)
Closing balance – 30/6/18	2,214	8,757	3,009	2,984	16,964
Purchases (GBV)	–	560	25	835	1,420
Depreciation and impairment	–	(432)	(706)	(72)	(1,210)
Other movement (Rounding adjustments)	(2)	1	1	(1)	(1)
Other movement (Revaluation decrements)	–	(775)	–	(1,467)	(2,242)
Other movement (Revaluation increments)	427	–	5,234	–	5,661
Closing balance – 30/6/19	2,639	8,111	7,563	2,279	20,592

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

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

	Roads	Bulk earth works	Stormwater drainage	Water network	Total
Opening balance – 1/7/17	68,176	65,095	7,075	25,602	165,948
Purchases (GBV)	2,584	–	27	242	2,853
Disposals (WDV)	–	–	–	(49)	(49)
Depreciation and impairment	(1,636)	–	(13)	(436)	(2,085)
Other movement (Reval Increment)	9,323	–	1,044	538	10,905
Other movement (Reval Decrements)	–	(1,385)	–	–	(1,385)
Other movement (details here)	–	–	–	(2,674)	(2,674)
Closing balance – 30/6/18	78,447	63,710	8,133	23,223	173,513
Purchases (GBV)	2,644	–	16	9,050	11,710
Disposals (WDV)	–	–	–	(9)	(9)
Depreciation and impairment	(1,636)	–	(13)	(448)	(2,097)
Other movement (Revaluation Increment)	–	–	–	372	372
Closing balance – 30/6/19	79,455	63,710	8,136	32,188	183,489

	Bridges	Footpaths	Sewer Network	Total
Opening balance – 1/7/17	9,640	2,053	9,304	20,997
Purchases (GBV)	–	48	10	58
Disposals (WDV)	–	–	(2)	(2)
Depreciation and impairment	(109)	(91)	(162)	(362)
Other movement (Reval Increments)	2,533	–	143	2,676
Other movement (Reval decrements)	–	(282)	–	(282)
Closing balance – 30/6/18	12,064	1,728	9,293	23,085
Purchases (GBV)	–	118	24	142
Disposals (WDV)	–	–	(8)	(8)
Depreciation and impairment	(108)	(90)	(165)	(363)
Other movement (Rounding adjustment)	(1)	–	–	(1)
Other movement (Revaluation increments)	–	–	149	149
Closing balance – 30/6/19	11,955	1,756	9,293	23,004

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

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

Buildings - non-specialised

Transfer from level 3 to level 2 fair valuation hierarchy were made due to a revaluation of land and buildings and the valuer using market value to value a specific number of buildings held for Council staff.

Council also purchased 45 Flashman Ave for additional staff housing, put solar panels on the administration buildings

Buildings -specialised

Council used Drought Community funds to upgrade the Wye Pavillion \$25K

Other Structures

Larkin Oval Lights were completed at a cost of \$480K, Upgrade to ELC Playground \$63K

Roads

An amount of \$1,016k was transferred into roads for R2R Program resheeting and construction. \$326K was for Construction Hermidale/Nymagee Rd and \$638K was for rehab & construction Cockies Rd, \$146K construction Pangee Rd \$137K construction Mulla Rd and \$68K for additional reshheting and resealing from Council own funds

Footpaths

An amount of \$118K for New construction of the recreation and exercise pathway and the new footpath from the mine village to Pioneer Park

Stormwater

\$16k was transferred into stormwater for levee bank resheeting

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

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

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.

I,PP&E

Class	Fair value (30/6/19) \$'000	Valuation technique/s	Unobservable inputs
Plant and equipment	5,154	Valued at cost disclosed at fair value in the notes	<ul style="list-style-type: none"> Gross replacement cost Remaining useful life Residual value
Office equipment	267	Valued at cost disclosed at fair value in the notes	<ul style="list-style-type: none"> Gross replacement cost Remaining useful life Residual value
Furniture and fittings	104	Valued at cost disclosed at fair value in the notes	<ul style="list-style-type: none"> Gross replacement cost Remaining useful life Residual value
Operational land	335	Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value, having regard to the highest and best use for the land	<ul style="list-style-type: none"> Land value based on price per square metre
Community and Crown land	2,639	Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value, having regard to the highest and best use for the land	<ul style="list-style-type: none"> Land value based on price per square metre
Buildings – non-specialised	8,111	Cost & Market approach used by external Valuers, Aspect Property Consultants, Nyngan	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life Residual value
Buildings – specialised	7,563	Cost approach used by external Valuers, Aspect Property Consultants, Nyngan	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life Residual value
Other structures	2,279	Cost approach used by external Valuers, Aspect Property Consultants, Nyngan	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life Residual value
Roads	79,455	Cost Approach using Level 3 inputs due to no market based evidence	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life Residual value

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

Class	Fair value (30/6/19) \$'000	Valuation technique/s	• Unobservable inputs
Bulk earthworks	63,710	Cost Approach using Level 3 inputs due to no market based evidence	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life • Residual value
Storm water drainage	8,136	Cost Approach using Level 3 inputs due to no market based evidence	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life • Residual value
Water supply network	32,188	Cost Approach using Level 3 inputs due to no market based evidence	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life • Residual value
Sewer network	9,293	Cost Approach using Level 3 inputs due to no market based evidence	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life • Residual value
Bridges	11,955	Cost Approach using Level 3 inputs due to no market based evidence	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life • Residual value
Footpaths	1,756	Cost Approach using Level 3 inputs due to no market based evidence	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life • Residual value

(5). Highest and best use

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related party transactions

\$ '000

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:

Compensation:	2019	2018
Short-term benefits	978	958
Post-employment benefits	83	80
Other long-term benefits	34	17
Termination benefits	17	19
Total	1,112	1,074

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related party transactions (continued)

\$ '000

b. Other transactions with KMP and their related parties

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
2019						
Supply of goods and service	Ref	121	-	30 days	-	-
Supply of service	2	853	10	14 days	-	-
Supply of goods	3	11	-	14 days	-	-
Supply of goods	1	4	-	14 days	-	-
Supply of goods and service	3	298	23		-	-
Supply of goods and service	3	48	10		-	-
2018						
Supply of goods and service	Ref	136	-	30 Days	-	-
Supply of service	2	1,097	-	14 Days	-	-
Supply of goods	3	14	-	14 Days	-	-
Supply of goods	1	5	-	14 Days	-	-

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related party transactions (continued)

b. Other transactions with KMP and their related parties (continued)

2019

- 1 Supply of goods and services by KMP. Supplier is engaged by Council under the normal conditions of Councils procurement policy. Amounts billed were based on normal rates for such supplies and were due and payable under normal payment terms.
- 2 Contract works undertaken by KMP within a specialty area have been engaged under Councils normal procurement and tendering processes. Amounts billed were based on normal rates for such supplies and were due and payable under normal payment terms.
- 3 Close family members of Council's KMP are engaged by Council under the conditions of Councils procurement policy. Amounts billed were based on normal rates for such supplies and were due and payable under normal payment terms following Council procurement process.

2018

- 1 Supply of goods and services by KMP. Supplier is engaged by Council under the normal conditions of Councils procurement policy. Amounts billed were based on normal rates for such supplies and were due and payable under normal payment terms.
- 2 Contract works undertaken by KMP within a specialty area have been engaged under Councils normal procurement and tendering processes. Amounts billed were based on normal rates for such supplies and were due and payable under normal payment terms.
- 3 Close family members of Council's KMP are engaged by Council under the conditions of Councils procurement policy. Amounts billed were based on normal rates for such supplies and were due and payable under normal payment terms following Council procurement process.

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related party transactions (continued)

 \$ '000

c. Other related party transactions

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
2019	Ref					
Other Contributions	4	10	-		-	-

4 Member Council Contribution to Orana Joint Organisations disclosed in Note 14 (e) Joint arrangements not recognised

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2019	2019	2019
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	837	445	3,704
User charges and fees	1,494	191	4,819
Interest and investment revenue	26	36	267
Other revenues	10	9	368
Grants and contributions provided for operating purposes	515	9	7,131
Grants and contributions provided for capital purposes	1,541	–	2,543
Total income from continuing operations	4,423	690	18,832
Expenses from continuing operations			
Employee benefits and on-costs	391	129	6,731
Borrowing costs	–	–	80
Materials and contracts	1,342	531	4,628
Depreciation and amortisation	448	165	3,403
Other expenses	616	16	973
Net losses from the disposal of assets	9	9	10
Revaluation decrement / impairment of IPPE	–	–	424
Total expenses from continuing operations	2,806	850	16,250
Operating result from continuing operations	1,617	(160)	2,582
Net operating result attributable to each council fund	1,617	(160)	2,582
Net operating result for the year before grants and contributions provided for capital purposes	76	(160)	39

¹ General fund refers to all Council's activities other than water and sewer.

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

Bogan Shire Council

Notes to the Financial Statements

as at 30 June 2019

Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2019	2019	2019
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	1,141	2,309	2,832
Investments	–	–	7,800
Receivables	462	63	861
Inventories	–	–	494
Other	–	–	67
Total current assets	1,603	2,372	12,054
Non-current assets			
Receivables	83	26	128
Infrastructure, property, plant and equipment	32,198	9,293	192,221
Investments accounted for using the equity method	–	–	52
Other	–	325	(325)
Total non-current assets	32,281	9,644	192,076
TOTAL ASSETS	33,884	12,016	204,130
LIABILITIES			
Current liabilities			
Payables	26	11	617
Borrowings	–	–	112
Provisions	–	–	1,664
Total current liabilities	26	11	2,393
Non-current liabilities			
Borrowings	–	–	2,420
Total non-current liabilities	–	–	2,420
TOTAL LIABILITIES	26	11	4,813
Net assets	33,858	12,005	199,317
EQUITY			
Accumulated surplus	15,275	7,192	138,154
Revaluation reserves	18,583	4,813	61,163
Total equity	33,858	12,005	199,317

¹ General fund refers to all Council's activities other than water and sewer.

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

Bogan Shire Council

Notes to the Financial Statements as at 30 June 2019

Note 21. Financial result and financial position by fund (continued)

\$ '000

Details of individual internal loans for the year ended 30 June 2019
(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Council ID / Ref
Borrower (by purpose)	General Fund
Lender (by purpose)	Sewer Fund
Date of minister's approval	21/06/2018
Date raised	1/01/2019
Term (years)	10 Years
Dates of maturity	1/07/2028
Rate of interest	3%
Amount originally raised	\$ 340,000
Total repaid during year (principal and interest)	\$ 14,703.54
Principal outstanding at end of year	\$ 325,296.46

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses ⁽²⁾	<u>408</u>	2.05%	4.94%	13.98%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>19,861</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>12,159</u>	50.78%	39.33%	46.20%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>23,945</u>				
2b. Own source operating revenue ratio – Rural council model					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions (other than FAG)	<u>16,362</u>	68.33%	52.87%	72.52%	
Total continuing operating revenue ⁽¹⁾	<u>23,945</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions	<u>11,205</u>	7.82x	6.10x	6.43x	> 1.5x
Current liabilities less specific purpose liabilities	<u>1,433</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>4,504</u>	23.71x	26.86x	52.19x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>190</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>443</u>	8.40%	6.03%	6.82%	10%
Rates, annual and extra charges collectible	<u>5,272</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>14,082</u>	9.49 mths	8.6 mths	8.5 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>1,485</u>				

Notes

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

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22(b). Statement of performance measures – by fund

\$ '000	General indicators ³		Water indicators		Sewer indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses ⁽²⁾	3.02%	6.77%	2.64%	-0.76%	-23.19%	-13.74%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	48.38%	47.20%	53.52%	21.78%	98.70%	98.82%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions	7.82x	6.10x	61.65x	2.41x	215.64x	905.00x	> 1.5x
Current liabilities less specific purpose liabilities							

Notes

(1) - (2) Refer to Notes at Note 22a above.

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

Bogan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ³		Water indicators		Sewer indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	20.92x	24.23x	0.00x	0.00x	0.00x	0.00x	> 2x
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	7.54%	5.51%	11.71%	7.95%	9.89%	7.21%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.63	9.21	5.83	0.00	40.99	32.59	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

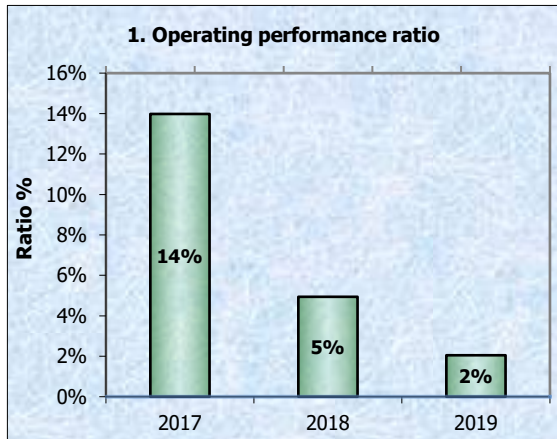
(1) Refer to Notes at Note 22a above.

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

Bogan Shire Council

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

Note 22(c). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio

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

Commentary on 2018/19 result

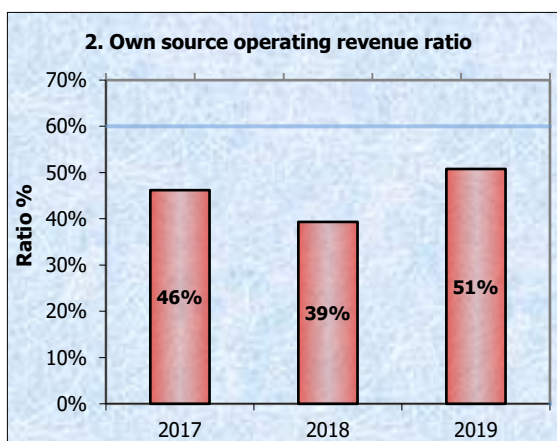
2018/19 ratio 2.05%

Council has been able to maintain operating expenditure within operating revenue. Financial assistance grants were paid in advance once again.

Benchmark: Minimum $\geq 0.00\%$

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

Ratio achieves benchmark
 Ratio is outside benchmark



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

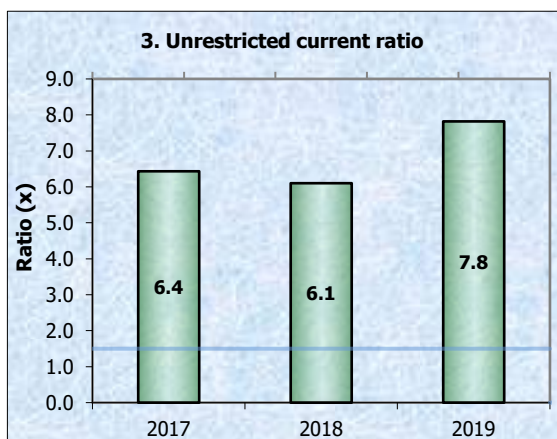
2018/19 ratio 50.78%

2018/2019 operating income includes grant funding for Drought Communities and Stronger Country Communities Fund Round 2. These grants have been used to improve infrastructure in Regional & Rural communities not to fund operating expenditure.

Benchmark: Minimum $\geq 60.00\%$

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

Ratio achieves benchmark
 Ratio is outside benchmark



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 7.82x

Council continues to meet the benchmark for this ratio.

Benchmark: Minimum ≥ 1.50

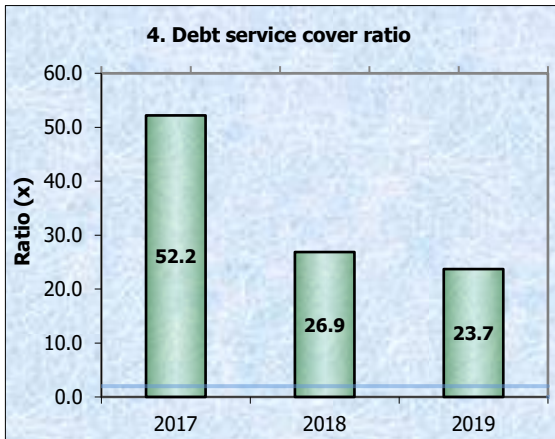
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
 Ratio is outside benchmark

Bogan Shire Council

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

Note 22(c). Statement of performance measures – consolidated results (graphs)



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

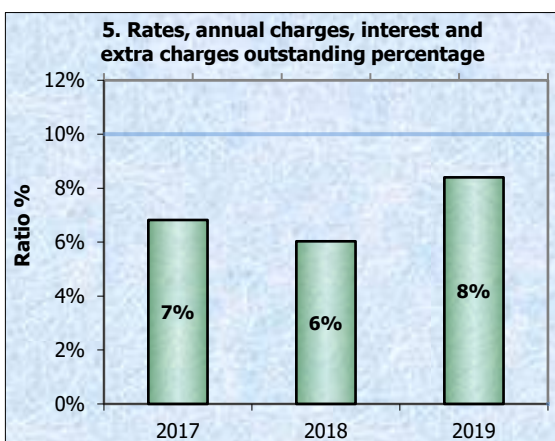
2018/19 ratio 23.71x

This ratio decreased due to an internal loan being raised from the Sewer Fund to the General Fund for \$340,000.

Benchmark: Minimum ≥ 2.00

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

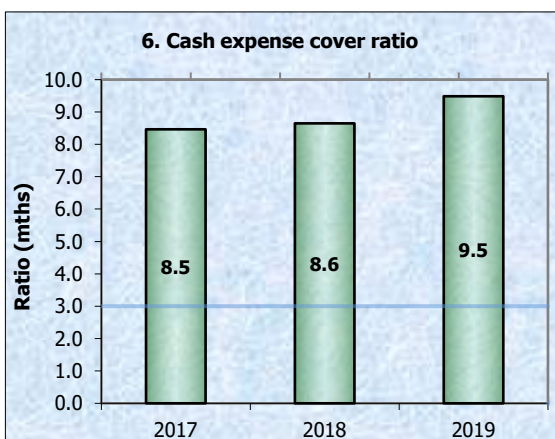
2018/19 ratio 8.40%

Council's collection of rates and annual charges remains below 10% but has increased slightly due to drought conditions making it difficult for ratepayers.

Benchmark: Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is within Benchmark
 Ratio is outside Benchmark



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 9.49 mths

Council's liquidity ratio remains above the benchmark in 2018/2019.

Benchmark: Minimum ≥ 3.00

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

Ratio achieves benchmark
 Ratio is outside benchmark

Bogan Shire Council

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

Note 23. Council information and contact details

Principal place of business:

81 Cobar Street
Nyngan NSW 2825

Contact details

Mailing address:

PO Box 221
Nyngan NSW 2825

Opening hours:

8:00am to 4:30pm
Monday to Friday

Telephone: 02 6835 9000

Facsimile: 02 6835 9011

Internet: www.bogan.nsw.gov.au

Email: admin@bogan.nsw.gov.au

Officers

GENERAL MANAGER

D A Francis

Elected members

MAYOR

R L Donald OAM

RESPONSIBLE ACCOUNTING OFFICER

S A Waterhouse

Other information

ABN: 68 886 242 083



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

To the Councillors of the Bogan Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

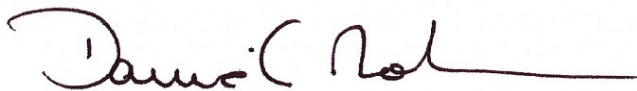
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in black 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

8 October 2019
SYDNEY



Mr Ray Donald
 Mayor
 Bogan Shire Council
 PO Box 221
 NYNGAN NSW 2825

Contact: David Nolan
 Phone no: 02 9275 7377
 Our ref: D1923665/1679

8 October 2019

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	4.99	4.79	↑ 4.2
Grants and contributions revenue	11.74	17.64	↓ 33.4
Operating result for the year	4.04	9.61	↓ 58
Net operating result before capital grants and contributions	(0.05)	0.43	↓ 112

Council's operating result (\$4 million including the effect of depreciation and amortisation expense of \$4 million) was \$5.6 million lower than the 2017–18 result. This was due to a reduction in grants and contributions received.

The net operating result before capital grants and contributions (\$45,000 deficit) was \$474,000 lower than the 2017–18 result, primarily due to the decrease in operating grants received this year.

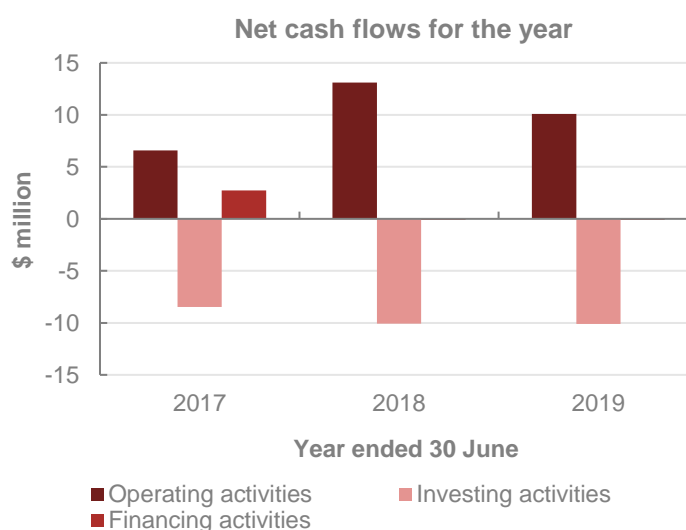
Rates and annual charges revenue (\$4.99 million) increased by \$200,000 (4.2 per cent) in 2018–2019.

Grants and contributions revenue (\$11.74 million) decreased by \$5.9 million (33.4 per cent) in 2018–2019 due to:

- A reduction in operating grants for community care and transport funding.
- Reduced capital grants and contributions for water storage.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$130,000 to \$6.3 million at the close of the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	4.2	3.4	<ul style="list-style-type: none"> • External restrictions include unspent specific purpose grants and water and sewerage funds. • Balances are internally restricted due to Council policy or decisions for forward plans including works program.
Internal restrictions	4.5	4.8	
Unrestricted	5.4	4.0	
Cash and investments	14.1	12.2	<ul style="list-style-type: none"> • Unrestricted balances provide liquidity for day-to-day operations.

Debt

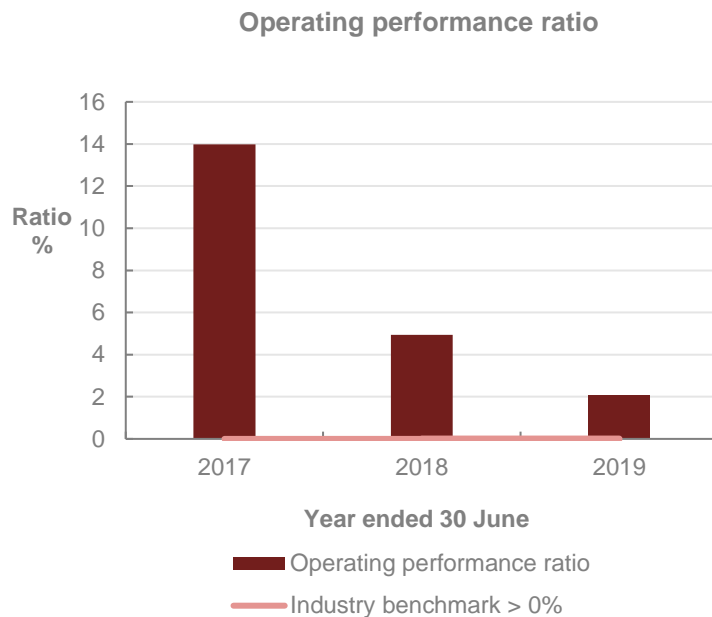
After repaying principal and interest of \$190,000 total debt as at 30 June 2019 was \$2.5 million (2018: \$2.6 million).

PERFORMANCE

Operating performance ratio

- Council's operating performance indicator of 2.1 per cent in 2018–19 (4.9 per cent in 2017–18) exceeded industry benchmark.
- The decrease is due to the reduced operating result for the year.

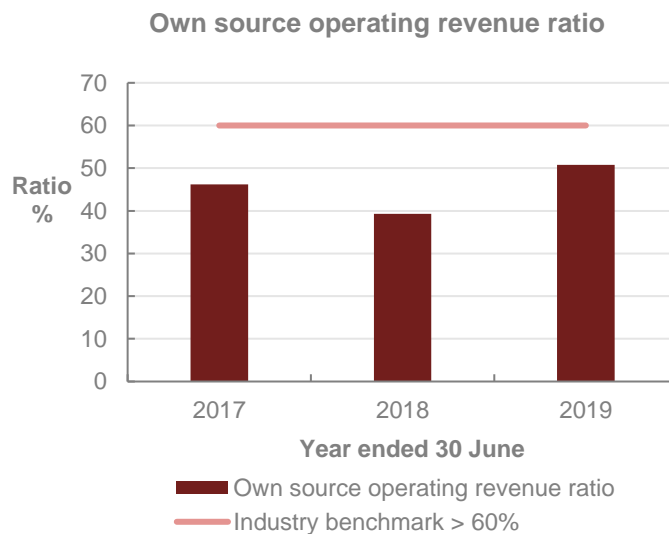
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council's own source operating revenue ratio of 50.8 per cent in 2018–19 (39.3 per cent in 2017–18) was below the industry benchmark.
- This indicator fluctuates with movements in grants and contributions.
- This indicator would increase with the inclusion of the financial assistance grant.

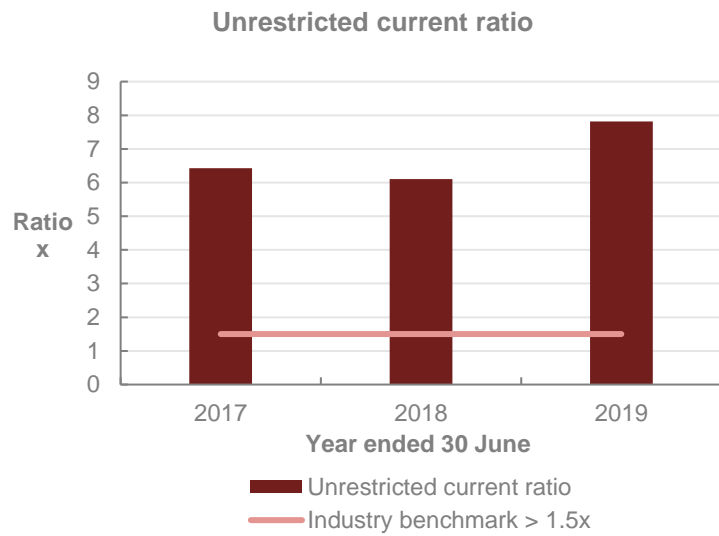
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- This ratio indicated that Council had 7.8 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities.
- Council's unrestricted current ratio increased to 7.8 as at 30 June 2019 (6.1 for 2018) and exceeded the industry benchmark.

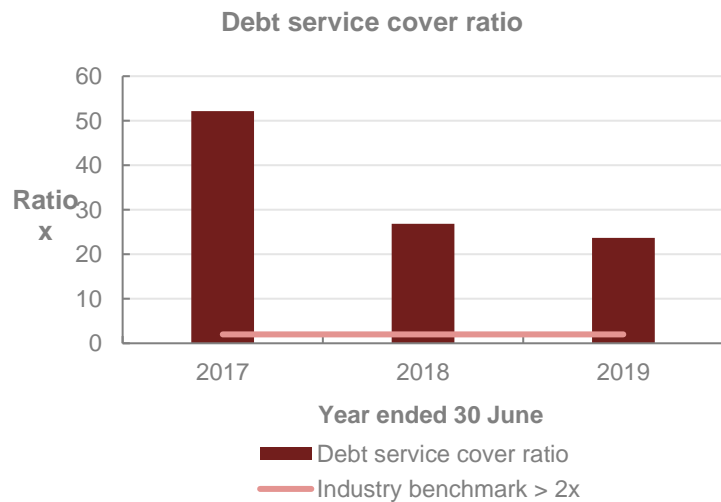
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- The debt service cover ratio for 2018–19 was 23.7 (26.9 in 2017–18) which is above the industry benchmark.

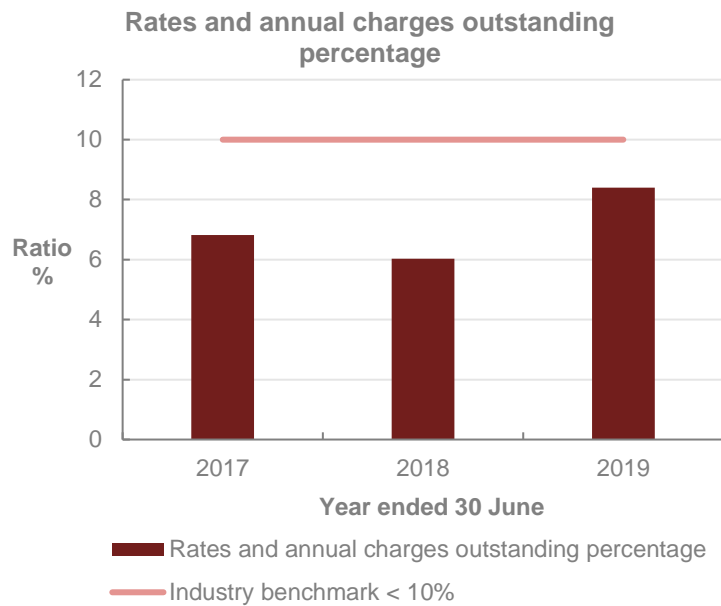
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

- Council's indicator of 8.4 per cent as at 30 June 2019 (6 per cent as at 30 June 2018) met the benchmark.
- Management attribute the deterioration of the ratio this year to hardship caused by the drought.

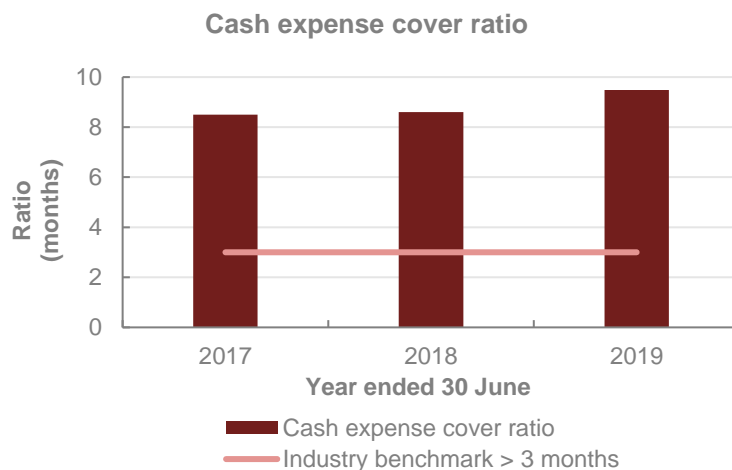
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 9.5 months for 2018–19 (8.6 months for 2017–18) exceeded the benchmark.

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



Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$3.8 million compared to \$4 million for the prior year.
- Renewals primarily consisted of roads, other structures and plant.
- The level of asset renewals during the year represented 95 percent of the total depreciation expense (\$4 million) for the year.

OTHER MATTERS

New accounting standards implemented

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

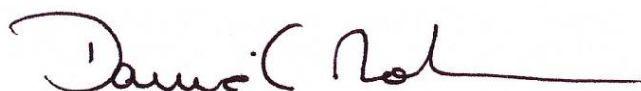
Legislative compliance

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

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

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- 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: Derek Francis, General Manager
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Bogan Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



Comfortable Country Living

Bogan Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
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Income Statement – Sewerage Business Activity	4
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
Note 1 – Significant accounting policies	7
Auditor’s Report	10

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).
-

Bogan Shire Council

Special Purpose Financial Statements for the year ended 30 June 2019

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

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

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

To the best of our knowledge and belief, these financial 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 22 August 2019.



R L Donald OAM
Mayor
22 August 2019



G R J Neill
Councillor
22 August 2019



D A Francis
General manager
22 August 2019



S A Waterhouse
Responsible accounting officer
22 August 2019

Bogan Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2019

	2019 \$ '000	2018 \$ '000
Income from continuing operations		
Access charges	837	780
User charges	1,494	1,479
Interest	26	2
Grants and contributions provided for non-capital purposes	515	763
Other income	10	4
Total income from continuing operations	2,882	3,028
Expenses from continuing operations		
Employee benefits and on-costs	391	410
Materials and contracts	1,342	2,000
Depreciation, amortisation and impairment	448	436
Water purchase charges	614	153
Loss on sale of assets	9	49
Other expenses	2	3
Total expenses from continuing operations	2,806	3,051
Surplus (deficit) from continuing operations before capital amounts	76	(23)
Grants and contributions provided for capital purposes	1,541	7,370
Surplus (deficit) from continuing operations after capital amounts	1,617	7,347
Surplus (deficit) from all operations before tax	1,617	7,347
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(21)	–
SURPLUS (DEFICIT) AFTER TAX	1,596	7,347
Plus accumulated surplus	13,658	6,311
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	21	–
Closing accumulated surplus	15,275	13,658
Return on capital %	0.2%	-0.1%
Subsidy from Council	349	828
Calculation of dividend payable:		
Surplus (deficit) after tax	1,596	7,347
Less: capital grants and contributions (excluding developer contributions)	(1,541)	(7,370)
Surplus for dividend calculation purposes	55	–
Potential dividend calculated from surplus	28	–

Bogan Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2019

	2019 \$ '000	2018 \$ '000
Income from continuing operations		
Access charges	445	444
User charges	188	183
Liquid trade waste charges	3	–
Interest	36	40
Grants and contributions provided for non-capital purposes	9	8
Other income	9	2
Total income from continuing operations	690	677
Expenses from continuing operations		
Employee benefits and on-costs	129	122
Materials and contracts	531	464
Depreciation, amortisation and impairment	165	162
Loss on sale of assets	9	2
Other expenses	16	20
Total expenses from continuing operations	850	770
Surplus (deficit) from continuing operations before capital amounts	(160)	(93)
Surplus (deficit) from continuing operations after capital amounts	(160)	(93)
Surplus (deficit) from all operations before tax	(160)	(93)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(160)	(93)
Plus accumulated surplus	7,352	7,445
Closing accumulated surplus	7,192	7,352
Return on capital %	-1.7%	-1.0%
Subsidy from Council	283	337
Calculation of dividend payable:		
Surplus (deficit) after tax	(160)	(93)
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Bogan Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2019

	2019 \$ '000	2018 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	1,141	–
Receivables	462	2,012
Total current assets	1,603	2,012
Non-current assets		
Receivables	83	99
Infrastructure, property, plant and equipment	32,198	30,593
Total non-current assets	32,281	30,692
TOTAL ASSETS	33,884	32,704
LIABILITIES		
Current liabilities		
Bank overdraft	–	824
Payables	26	11
Total current liabilities	26	835
Total non-current liabilities	–	–
TOTAL LIABILITIES	26	835
NET ASSETS	33,858	31,869
EQUITY		
Accumulated surplus	15,275	13,658
Revaluation reserves	18,583	18,211
TOTAL EQUITY	33,858	31,869

Bogan Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2019

	2019 \$ '000	2018 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	2,309	1,646
Investments	–	1,000
Receivables	63	69
Total current Assets	2,372	2,715
Non-current assets		
Receivables	26	12
Infrastructure, property, plant and equipment	9,293	9,293
Other	325	–
Total non-current assets	9,644	9,305
TOTAL ASSETS	12,016	12,020
LIABILITIES		
Current liabilities		
Payables	11	3
Total current liabilities	11	3
Total non-current liabilities	–	–
TOTAL LIABILITIES	11	3
NET ASSETS	12,005	12,017
EQUITY		
Accumulated surplus	7,192	7,352
Revaluation reserves	4,813	4,665
TOTAL EQUITY	12,005	12,017

Bogan Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant accounting policies

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

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

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

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

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, fair 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 and returns 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 – Business activities with gross operating turnover more than \$2 million

a. Bogan Shire Council Combined Water Supplies

Water supply operations servicing the town of Nyngan and the villages of Hermidale, Girilambone and Coolabah.

Bogan Shire Council

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

Note 1. Significant accounting policies (continued)

Category 2 – Business activities with gross operating turnover less than \$2 million

b. Bogan Shire Council Sewerage Service

Sewerage reticulation and treatment operations and net assets servicing the town of Nyngan.

Monetary amounts

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

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

In accordance with 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 to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the 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 30%.

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

Bogan Shire Council

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

Note 1. Significant accounting policies (continued)

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 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

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.

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:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

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.



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

To the Councillors of the Bogan Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Bogan Shire 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
- Sewerage Business.

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:

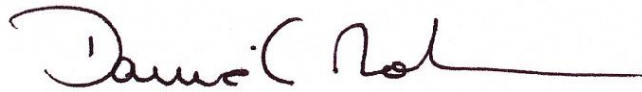
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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 black ink, appearing to read "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

8 October 2019
SYDNEY

Bogan Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2019



Comfortable Country Living

Bogan Shire Council

Special Schedules

for the year ended 30 June 2019

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Bogan Shire Council

Permissible income for general rates for the year ended 30 June 2020

\$'000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	2,856	2,808
Plus or minus adjustments ⁽²⁾	b	65	(11)
Notional general income	c = (a + b)	2,921	2,797
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.70%	2.30%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c - g)	—	—
Or plus rate peg amount	i = c x e	79	64
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	3,000	2,861
Plus (or minus) last year's carry forward total	l	6	1
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	6	1
Total permissible income	o = k + n	3,006	2,862
Less notional general income yield	p	2,913	2,856
Catch-up or (excess) result	q = o - p	93	6
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	t = q + r - s	93	6

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's permissible income from general rates in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Bogan Shire Council

To the Councillors of Bogan Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

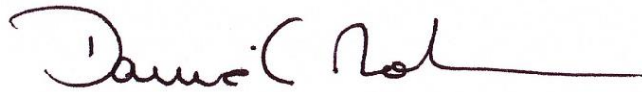
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read "David Nolan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

8 October 2019
SYDNEY

Bogan Shire Council

Report on Infrastructure Assets as at 30 June 2019

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	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					
								1	2	3	4	5	
Buildings	Environment	2	2	2	4	27	34		100%				0%
	Community Services & Education	31	31	31	19	1,306	2,046	65%	0%	13%			22%
	Housing & Community Amenities	21	21	21	183	2,044	3,072	40%	0%	50%	10%		0%
	Recreation & Culture	600	600	600	111	7,598	20,600	55%	25%	5%	2%		13%
	Transport & Communication	25	25	25	44	1,497	3,121	20%		80%			0%
	Admin Buildings	15	15	15		563	955		99%		2%		0%
	Public Order & Safety	21	21	21	16	761	1,057	96%		4%			0%
	Health	9	9	9	13	1,654	2,119	73%		28%			0%
	Governance	140	80	80	5	224	1,032			100%			0%
	Sub-total	864	804	804	395	15,674	34,036	50.1%	18.0%	20.5%	2.2%		9.2%
Other structures	Public Order & Safety	7				15	16	5%	40%	55%			0%
	Environment					184	214	5%	40%	55%			0%
	Recreation & Other Culture	600	600	600	613	1,822	2,525	45%		55%			0%
	Transport & Communication	5	5	5		36	72	5%	40%	55%			0%
	Other Economic Affairs					222	776	55%	0%	45%			0%
	Sub-total	612	605	605	613	2,279	3,603	43.8%	3.4%	52.8%	0.0%		0.0%

Bogan Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	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				
								1	2	3	4	5
Roads	Bridges	20	20			11,667	13,783			97%	3%	0%
	Footpaths	40	40	30	1	2,043	4,097	3%	10%	50%	37%	0%
	Kerb & Gutter	10	10	40		1,538	2,918	0%	0%	99%	1%	0%
	Traffic Management Assets & Bus Shelters	30	30	5	21	643	1,073	1%	5%	60%	31%	3%
	Road Causeways	20	20	10		514	844		53%	22%	22%	3%
	Regional Road Surface	100	100	100		3,028	3,975	25%	35%	30%	2%	8%
	Rural Road Pavement Unsealed	800	800	800	1,222	16,772	19,973	3%	37%	49%	4%	7%
	Town & Village Streets	90	90	300	286	7,136	9,508	1%	31%	67%	1%	0%
	Road Formation/Earthworks					63,710	63,710	100%				0%
	Culverts	75	75	50		16,015	20,696	1%	41%	43%	12%	3%
	Regional Road Pavement Sealed	300	300	350	352	8,613	10,759	5%	0%	95%	0%	0%
	Regional Road Pavement Unsealed	300	300	350	399	1,820	2,200	0%	30%	65%	2%	3%
	Rural Road Pavement Sealed	150	150	200	180	15,744	19,334	2%	2%	94%	1%	1%
	Rural Road Surface	250	250	200	49	5,105	7,063	7%	32%	54%	3%	4%
	Runway & Carparks	90	90	67	25	2,528	2,917	1%	96%	3%	0%	0%
Sub-total		2,275	2,275	2,502	2,535	156,876	182,850	36.7%	14.9%	43.3%	3.5%	1.6%

Bogan Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	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				
								1	2	3	4	5
Water supply network	Mains	90	90	90	107	8,369	14,928	10%	43%	26%	21%	0%
	Reservoirs & Tanks	20	20	50	112	3,671	5,585	2%	96%	1%		1%
	Pumping Station/s	150	150	130	75	503	940	16%	58%	3%	22%	1%
	Treatment	375	375	130	250	3,206	6,925	1%	42%	30%	27%	0%
	Water Canals	100	100	100	168	6,290	6,290			100%		0%
	Canal Structures	80	80			147	147	100%				0%
	Dams/Weirs	15	15			10,002	10,851	69%	27%		4%	0%
	Sub-total	830	830	500	712	32,188	45,666	20.7%	39.8%	27.0%	12.4%	0.1%
Sewerage network	Pumping Station/s	50	50	50	57	1,753	2,702	1%	93%	5%	1%	0%
	Treatment	130	130	180	182	2,162	2,568	1%	92%	6%	1%	0%
	Reticulation	30	30	50	55	5,378	9,091	1%	77%	22%	0%	0%
	Sub-total	210	210	280	294	9,293	14,361	1.0%	82.7%	15.9%	0.4%	0.0%

Bogan Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	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					
								1	2	3	4	5	
Stormwater drainage	Open Drain	10	10	10		941	941	100%					0%
	Sign			10		5	11			100%			0%
	Pump Station			10		148	258			100%			0%
	Levee			10	10	6,966	6,966	95%	5%				0%
	Gate					76	89	100%					0%
	Sub-total		10	10	40	10	8,136	8,265	92.5%	4.2%	3.3%	0.0%	0.0%
	TOTAL – ALL ASSETS	4,801	4,734	4,731	4,559	224,446	288,781	35.7%	22.1%	35.6%	4.4%	2.1%	

Notes:

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

Bogan Shire Council

Report on Infrastructure Assets (continued)
for the year ended 30 June 2019

	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	2,480	67.57%	61.91%	67.75%	>= 100%
Depreciation, amortisation and impairment	3,670				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	4,801	2.14%	2.29%	1.98%	< 2.00%
Net carrying amount of infrastructure assets	224,446				
3. Asset maintenance ratio					
Actual asset maintenance	4,559	96.36%	99.17%	93.46%	> 100%
Required asset maintenance	4,731				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	4,734	1.64%	1.79%	2.24%	
Gross replacement cost	288,781				

Notes

* All asset performance indicators are calculated using the asset 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.

Bogan Shire Council

Report on Infrastructure Assets (continued)

for the year ended 30 June 2019

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	74.62%	67.76%	40.85%	49.77%	9.70%	0.00%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	2.06%	1.72%	2.58%	5.09%	2.26%	6.39%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	89.93%	105.56%	142.40%	82.65%	105.00%	59.15%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.61%	1.39%	1.82%	3.28%	1.46%	4.21%	
Gross replacement cost							

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Excludes Work In Progress (WIP)
- (3) 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.