



# Hawkesbury River County Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019



## General Purpose Financial Statements

for the year ended 30 June 2019

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### Overview

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

6 Walker Street  
South Windsor NSW 2756

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.hrcc.nsw.gov.au](http://www.hrcc.nsw.gov.au).

# Hawkesbury River County Council

## General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

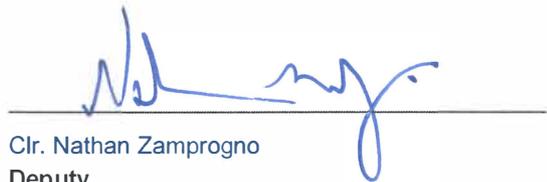
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 10 October 2019.



Clr. Karen McKeown OAM  
Chairperson  
10 October 2019



Clr. Nathan Zamprogno  
Deputy  
10 October 2019



Chris Dewhurst  
General Manager  
10 October 2019



Chris Dewhurst  
Responsible Accounting Officer  
10 October 2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 <sup>1</sup>
<b>Income from continuing operations</b>				
<u>Revenue:</u>				
89	User charges and fees	3a	53	76
48	Interest and investment revenue	3b	53	48
133	Other revenues	3c	207	198
1,223	Grants and contributions provided for operating purposes	3d,3e	1,221	1,205
<u>Other income:</u>				
–	Net gains from the disposal of assets	5	8	–
<u>1,493</u>	<b>Total income from continuing operations</b>		<u>1,542</u>	<u>1,527</u>
<b>Expenses from continuing operations</b>				
1,074	Employee benefits and on-costs	4a	979	1,105
149	Materials and contracts	4b	261	159
102	Depreciation and amortisation	4c	96	102
195	Other expenses	4d	229	226
–	Net losses from the disposal of assets	5	–	3
<u>1,520</u>	<b>Total expenses from continuing operations</b>		<u>1,565</u>	<u>1,595</u>
<u>(27)</u>	<b>Operating result from continuing operations</b>		<u>(23)</u>	<u>(68)</u>
<u>(27)</u>	<b>Net operating result for the year</b>		<u>(23)</u>	<u>(68)</u>
(27)	Net operating result attributable to council		(23)	(68)
<u>(27)</u>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<u>(23)</u>	<u>(68)</u>

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>(23)</b>	<b>(68)</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	433	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>433</b>	<b>–</b>
<b>Total other comprehensive income for the year</b>		<b>433</b>	<b>–</b>
<b>Total comprehensive income for the year</b>		<b>410</b>	<b>(68)</b>
Total comprehensive income attributable to Council		410	(68)

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

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

## Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	856	35
Investments	6(b)	650	1,580
Receivables	7	31	890
Inventories	8a	11	8
Other	8b	7	6
<b>Total current assets</b>		<u>1,555</u>	<u>2,519</u>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	9	<u>1,465</u>	<u>1,093</u>
<b>Total non-current assets</b>		<u>1,465</u>	<u>1,093</u>
<b>TOTAL ASSETS</b>		<u>3,020</u>	<u>3,612</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	403	1,432
Provisions	11	<u>271</u>	<u>244</u>
<b>Total current liabilities</b>		<u>674</u>	<u>1,676</u>
<b>TOTAL LIABILITIES</b>		<u>674</u>	<u>1,676</u>
<b>Net assets</b>		<u>2,346</u>	<u>1,936</u>
<b>EQUITY</b>			
Accumulated surplus	12a	1,078	1,101
Revaluation reserves	12a	<u>1,268</u>	<u>835</u>
<b>Council equity interest</b>		<u>2,346</u>	<u>1,936</u>
<b>Total equity</b>		<u>2,346</u>	<u>1,936</u>

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

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

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

\$ '000	Notes	2019			2018 <sup>1</sup>		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		1,101	835	1,936	1,169	835	2,004
<b>Restated opening balance</b>		<b>1,101</b>	<b>835</b>	<b>1,936</b>	<b>1,169</b>	<b>835</b>	<b>2,004</b>
Net operating result for the year		(23)	–	(23)	(68)	–	(68)
<b>Restated net operating result for the period</b>		<b>(23)</b>	<b>–</b>	<b>(23)</b>	<b>(68)</b>	<b>–</b>	<b>(68)</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9	–	433	433	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>433</b>	<b>433</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total comprehensive income</b>		<b>(23)</b>	<b>433</b>	<b>410</b>	<b>(68)</b>	<b>–</b>	<b>(68)</b>
<b>Equity – balance at end of the reporting period</b>		<b>1,078</b>	<b>1,268</b>	<b>2,346</b>	<b>1,101</b>	<b>835</b>	<b>1,936</b>

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

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

## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<u>Receipts</u>				
-	User charges and fees		58	933
-	Investment and interest revenue received		55	37
-	Grants and contributions		2,420	1,252
-	Other		287	(554)
<u>Payments</u>				
-	Employee benefits and on-costs		(956)	(1,054)
-	Materials and contracts		(289)	(175)
-	Other		(1,657)	(126)
-	<b>Net cash provided (or used in) operating activities</b>	13b	<b>(82)</b>	<b>313</b>
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
-	Redemption of investment securities		3,470	2,150
-	Sale of infrastructure, property, plant and equipment		8	78
<u>Payments</u>				
-	Renewal of investment securities		(2,540)	(2,680)
-	Purchase of infrastructure, property, plant and equipment		(35)	(121)
-	<b>Net cash provided (or used in) investing activities</b>		<b>903</b>	<b>(573)</b>
-	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>821</b>	<b>(260)</b>
-	Plus: cash and cash equivalents – beginning of year	13a	35	295
-	<b>Cash and cash equivalents – end of the year</b>	13a	<b>856</b>	<b>35</b>
Additional Information:				
-	plus: Investments on hand – end of year	6(b)	650	1,580
-	<b>Total cash, cash equivalents and investments</b>		<b>1,506</b>	<b>1,615</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 12/08/2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Budget
- Note 21 – Material budget variations

and are clearly marked.

#### (a) New and amended standards adopted by Council

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 12.

#### (b) Historical cost convention

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

#### (c) Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

#### Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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

#### **Monies and other assets received by Council**

##### **(a) The Consolidated Fund**

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

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

- General purpose operations

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

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

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Functions or activities</b>										
Governance	–	–	–	–	–	–	–	–	2,916	3,612
Environment	1,481	1,479	1,530	1,595	(49)	(116)	588	519	–	–
General Purpose Income	53	48	–	–	53	48	–	–	–	–
Other	8	–	–	–	8	–	(69)	–	104	–
<b>Total functions and activities</b>	<b>1,542</b>	<b>1,527</b>	<b>1,530</b>	<b>1,595</b>	<b>12</b>	<b>(68)</b>	<b>519</b>	<b>519</b>	<b>3,020</b>	<b>3,612</b>

## 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:

**Governance**

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

**Environment**

Noxious plants control.

**General Purpose Income**

Council receives Interest on the money it has Invested.

**Other Revenue**

Council receives Commissions & Agency Fees on the projects it manages.

## Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) User charges and fees</b>		
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Issue certificate – property	1	8
Private works – section 67	52	68
<b>Total fees and charges – statutory/regulatory</b>	<b>53</b>	<b>76</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>53</b>	<b>76</b>

**Accounting policy for user charges and fees**

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

**(b) Interest and investment revenue (including losses)**

<b>Interest on financial assets measured at amortised cost</b>		
– Cash and investments	53	48
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>53</b>	<b>48</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
General Council cash and investments	53	48
<b>Total interest and investment revenue</b>	<b>53</b>	<b>48</b>

**Accounting policy for interest and investment revenue**

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

**(c) Other revenues**

Commissions and agency fees	156	154
Employee contribution on motor vehicle	22	20
Sales – general	29	24

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
<b>TOTAL OTHER REVENUE</b>	<b>207</b>	<b>198</b>

**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.

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.

Commissions/Agency Fees are accrued Monthly.

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(d) Grants</b>				
<b>Specific purpose</b>				
Noxious weeds	519	519	–	–
<b>Total specific purpose</b>	<b>519</b>	<b>519</b>	<b>–</b>	<b>–</b>
<b>Total grants</b>	<b>519</b>	<b>519</b>	<b>–</b>	<b>–</b>
<b>Grant revenue is attributable to:</b>				
– State funding	519	519	–	–
	<b>519</b>	<b>519</b>	<b>–</b>	<b>–</b>

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Contributions</b>					
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Constituent councils		702	686	–	–
<b>Total other contributions – cash</b>		<b>702</b>	<b>686</b>	<b>–</b>	<b>–</b>
<b>Total other contributions</b>		<b>702</b>	<b>686</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>		<b>702</b>	<b>686</b>	<b>–</b>	<b>–</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>1,221</b>	<b>1,205</b>	<b>–</b>	<b>–</b>

**Accounting policy for grants and contributions**

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

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

**Unspent Grants as at 30/6/19**

Weeds Action Plan Grant 1520 \$183,353

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

NSW DPI Aquatic Weed Prep \$77,600  
 Local Landcare Coord Grant \$75,903

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.

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	773	846
Travel expenses	–	3
Employee leave entitlements (ELE)	107	123
Superannuation	72	88
Workers' compensation insurance	16	13
Fringe benefit tax (FBT)	2	13
Training costs (other than salaries and wages)	–	9
Protective clothing	9	10
<b>Total employee costs</b>	<b>979</b>	<b>1,105</b>
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>979</b>	<b>1,105</b>
Number of 'full-time equivalent' employees (FTE) at year end	15	17
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	15	17

**Accounting policy for employee benefits and on-costs**

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 19 for more information.

\$ '000	2019	2018
<b>(b) Materials and contracts</b>		
Raw materials and consumables	9	7
Auditors remuneration <sup>2</sup>	16	28
Other grant and other programs	141	53
Plant running	95	71
<b>Total materials and contracts</b>	<b>261</b>	<b>159</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>261</b>	<b>159</b>
<b>2. Auditor remuneration</b>		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	16	22
<b>Remuneration for audit and other assurance services</b>	<b>16</b>	<b>22</b>
<b>Total Auditor-General remuneration</b>	<b>16</b>	<b>22</b>
<b>Non NSW Auditor-General audit firms</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	–	6
<b>Remuneration for audit and other assurance services</b>	<b>–</b>	<b>6</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>–</b>	<b>6</b>
<b>Total Auditor remuneration</b>	<b>16</b>	<b>28</b>
<b>(c) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>		
<b>Depreciation and amortisation</b>		
Plant and equipment	60	66
Office equipment	15	15
<b>Infrastructure:</b>		
– Buildings – specialised	21	21
<b>Total gross depreciation and amortisation costs</b>	<b>96</b>	<b>102</b>
<b>Total depreciation and amortisation costs</b>	<b>96</b>	<b>102</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>	<b>96</b>	<b>102</b>

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

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

Depreciation is capitalised where in-house assets have contributed to new 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

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

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

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

\$ '000	2019	2018
<b>(d) Other expenses</b>		
Advertising	–	3
Bank charges	1	1
Cleaning	3	3
Computer software charges	25	36
Depot services	23	17
Electricity and heating	3	4
Insurance	64	74
Member expenses – chairperson fee	11	11
Member expenses – members' fees	47	46
Members' expenses (incl. chairperson) – other (excluding fees above)	4	6
Office expenses (including computer expenses)	4	7
Postage	2	2
Printing and stationery	4	6
Telephone and communications	9	10
Other	29	–
<b>Total other expenses</b>	<b>229</b>	<b>226</b>
<b>TOTAL OTHER EXPENSES</b>	<b>229</b>	<b>226</b>

**Accounting policy for other expenses**

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

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

\$ '000	Notes	2019	2018
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		8	78
Less: carrying amount of plant and equipment assets sold/written off		–	(81)
<b>Net gain/(loss) on disposal</b>		<b>8</b>	<b>(3)</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>8</b>	<b>(3)</b>

**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.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	16	10
Cash-equivalent assets		
– Short-term deposits	840	25
<b>Total cash and cash equivalents</b>	<b>856</b>	<b>35</b>

**Accounting policy for cash and cash equivalents**

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

## Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
'Financial assets at amortised cost' / 'held to maturity'	650	–	1,580	–
<b>Total Investments</b>	<b>650</b>	<b>–</b>	<b>1,580</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>1,506</b>	<b>–</b>	<b>1,615</b>	<b>–</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	650	–	1,580	–
<b>Total</b>	<b>650</b>	<b>–</b>	<b>1,580</b>	<b>–</b>

**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 or loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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Financial assets are not reclassified subsequent to their initial recognition.

#### **Amortised cost**

Assets measured at amortised cost are financial assets where:

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

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

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

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

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

##### **Classification**

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

##### **(a) 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.

##### **(b) Loans and receivables**

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

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

##### **Recognition and de-recognition**

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

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

##### **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.

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

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## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	1,506	–	1,615	–
<b>attributable to:</b>				
External restrictions	154	–	356	–
Internal restrictions	–	–	–	–
Unrestricted	1,352	–	1,259	–
	<u>1,506</u>	<u>–</u>	<u>1,615</u>	<u>–</u>

\$ '000	2019	2018
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## Details of restrictions

**External restrictions – other**

Specific purpose unexpended grants – WAP

**External restrictions – other****Total external restrictions****TOTAL RESTRICTIONS**

	154	356
	<u>154</u>	<u>356</u>
	<u>154</u>	<u>356</u>
	<u>154</u>	<u>356</u>

## Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Private works	9	–	9	–
Accrued revenues				
– Interest on investments	17	–	19	–
Amounts due from other councils	5	–	772	–
Government grants and subsidies	–	–	90	–
<b>Total</b>	<u>31</u>	<u>–</u>	<u>890</u>	<u>–</u>
<b>TOTAL NET RECEIVABLES</b>	<u>31</u>	<u>–</u>	<u>890</u>	<u>–</u>
<b>Unrestricted receivables</b>	<u>31</u>	<u>–</u>	<u>890</u>	<u>–</u>
<b>TOTAL NET RECEIVABLES</b>	<u>31</u>	<u>–</u>	<u>890</u>	<u>–</u>

## Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
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## (a) Inventories

## (i) Inventories at cost

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Stores and materials	11	–	8	–
<b>Total inventories at cost</b>	<b>11</b>	<b>–</b>	<b>8</b>	<b>–</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>11</u></b>	<b><u>–</u></b>	<b><u>8</u></b>	<b><u>–</u></b>

## (b) Other assets

Prepayments	7	–	6	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>7</u></b>	<b><u>–</u></b>	<b><u>6</u></b>	<b><u>–</u></b>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Total externally restricted assets</b>	–	–	–	–
<b>Total internally restricted assets</b>	–	–	–	–
<b>Total unrestricted assets</b>	<b>18</b>	<b>–</b>	<b>14</b>	<b>–</b>
<b><u>TOTAL INVENTORIES AND OTHER ASSETS</u></b>	<b><u>18</u></b>	<b><u>–</u></b>	<b><u>14</u></b>	<b><u>–</u></b>

## Accounting policy for inventories and other assets

**Raw materials and stores, work in progress and finished goods**

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

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

Note 9. Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period			as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions new assets	Depreciation expense	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>									
Plant and equipment	1,104	(821)	283	25	(60)	–	1,129	(881)	248
Office equipment	133	(106)	27	5	(15)	–	138	(121)	17
<b>Land:</b>									
– Operational land	557	–	557	–	–	354	911	–	911
<b>Infrastructure:</b>									
– Buildings – specialised	411	(185)	226	5	(21)	79	495	(206)	289
<b>Total Infrastructure, property, plant and equipment</b>	<b>2,205</b>	<b>(1,112)</b>	<b>1,093</b>	<b>35</b>	<b>(96)</b>	<b>433</b>	<b>2,673</b>	<b>(1,208)</b>	<b>1,465</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2017			Asset movements during the reporting period			as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions new assets	Carrying value of disposals	Depreciation expense	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>									
Plant and equipment	1,069	(755)	314	116	(81)	(66)	1,104	(821)	283
Office equipment	128	(91)	37	5	–	(15)	133	(106)	27
<b>Land:</b>									
– Operational land	557	–	557	–	–	–	557	–	557
<b>Infrastructure:</b>									
– Buildings – specialised	411	(164)	247	–	–	(21)	411	(185)	226
<b>Total Infrastructure, property, plant and equipment</b>	<b>2,165</b>	<b>(1,010)</b>	<b>1,155</b>	<b>121</b>	<b>(81)</b>	<b>(102)</b>	<b>2,205</b>	<b>(1,112)</b>	<b>1,093</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. 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. A valuation was done on the land & buildings as at 30/6/19 by an independent valuer and our land & buildings have been adjusted to match the independent valuer.

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

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

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

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

<b>Plant and Equipment</b>	<b>Years</b>	<b>Buildings</b>	<b>Years</b>
Office equipment	5 to 10	Buildings: masonry	50 to 100
Office furniture	10 to 20	Buildings: other	20 to 40
Computer Equipment	4		
Vehicles	5 to 8		
Other plant and equipment	5 to 15		

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

## Note 10. Payables and borrowings

<b>\$ '000</b>	<b>2019 Current</b>	<b>2019 Non-current</b>	<b>2018 Current</b>	<b>2018 Non-current</b>
<b>Payables</b>				
Accrued expenses:				
– Salaries and Wages & PAYG Withholding	37	–	49	–
– Expense other	31	–	135	–
Payments received in advance	337	–	1,175	–
ATO – net GST payable	(2)	–	73	–
<b>Total payables</b>	<b>403</b>	<b>–</b>	<b>1,432</b>	<b>–</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>403</u></b>	<b><u>–</u></b>	<b><u>1,432</u></b>	<b><u>–</u></b>

**Current payables and borrowings not anticipated to be settled within the next twelve months**

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Payables and borrowings (continued)

\$ '000	2019	2018
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The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

<b>Total payables and borrowings</b>	—	—
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**Accounting policy for payables and borrowings**

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

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

There has been no changes to the classification & measurement of financial liabilities under AASB9.

**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.

## Note 11. Provisions

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

**Employee benefits**

Annual leave	68	—	65	—
Long service leave	180	—	158	—
Annual leave – on costs	6	—	6	—
Long service leave – on costs	17	—	15	—
<b>Sub-total – aggregate employee benefits</b>	<b>271</b>	<b>—</b>	<b>244</b>	<b>—</b>

**TOTAL PROVISIONS**

<b>271</b>	<b>—</b>	<b>244</b>	<b>—</b>
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**(a) Provisions relating to restricted assets**

<b>Total provisions relating to restricted assets</b>	—	—	—	—
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<b>Total provisions relating to unrestricted assets</b>	<b>271</b>	<b>—</b>	<b>244</b>	<b>—</b>
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<b>TOTAL PROVISIONS</b>	<b>271</b>	<b>—</b>	<b>244</b>	<b>—</b>
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\$ '000	2019	2018
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**(b) Current provisions not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	131	136
	<b>131</b>	<b>136</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Provisions (continued)

## (c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
<b>2019</b>				
At beginning of year	65	158	21	244
Other	3	22	2	27
Total ELE provisions at end of period	68	180	23	271
<b>2018</b>				
At beginning of year	64	143	20	227
Additional provisions	73	24	1	98
Amounts used (payments)	(72)	(9)	–	(81)
Total ELE provisions at end of period	65	158	21	244

**Accounting policy for provisions**

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

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

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

**Employee benefits****Short-term obligations**

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

**Other long-term employee benefit obligations**

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

**On-costs**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Provisions (continued)

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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.

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

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#### (a) Nature and purpose of reserves

##### **Infrastructure, property, plant and equipment revaluation reserve**

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

#### (b) Changes in accounting estimates

##### **Nature and effect of changes in accounting estimates on future years**

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect on Council's future financial statements, financial performance, financial position and cash flows are set out below:

##### **Accounting Policies effective**

##### **Changes in accounting policy due to adoption of new accounting standards**

###### i. Effective for the first time in 2018-19

The entity has adopted AASB 9 *Financial Instruments* (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosures* (AASB 7R).

The entity applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity. See Note 6 for more information.

##### **Accounting Policies not yet effective**

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

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

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

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

AASB 15 Revenue from Contracts with Customers (AASB 15) is effective for reporting periods commencing on or after 1 January 2019. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which the Council expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118 Revenue (AASB 118), revenue recognition is currently based on when risks and rewards are transferred.

##### **AASB 16 Leases**

AASB 16 *Leases* (AASB 16) is effective from reporting periods commencing on or after 1 January 2019. AASB 16 will result in most of the operating leases of an entity being brought onto the statement of financial position. Council has assessed the impact to be immaterial as the Council does not have leases.

##### **AASB 1058 Income of NFP Entities**

## Notes to the Financial Statements

for the year ended 30 June 2019

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

AASB 1058 Income of Not-for-Profits (AASB 1058) is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004 Contributions (AASB 1004). The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. Under AASB 1058, the Council will need to determine whether a transaction is consideration received below fair value principally to enable the Council to further its objectives (accounted for under AASB 1058) or a revenue contract with a customer (accounted for under AASB 15).

Based on the impact assessments the Council has undertaken on currently available information, the Council has assessed the impact of AASB 15 and AASB 1058 to be insignificant due to limited changes in accounting of the grants which Council receives.

**Note 13. Statement of cash flows - additional information**

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	856	35
<b>Balance as per the Statement of Cash Flows</b>		<b>856</b>	<b>35</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		(23)	(68)
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		96	102
Net losses/(gains) on disposal of assets		(8)	3
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		859	(812)
Decrease/(increase) in inventories		(3)	(2)
Decrease/(increase) in other assets		(1)	(3)
Increase/(decrease) in other accrued expenses payable		(116)	152
Increase/(decrease) in other liabilities		(913)	924
Increase/(decrease) in employee leave entitlements		27	17
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>(82)</b>	<b>313</b>

**Note 14. Financial risk management****Risk management**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Financial risk management (continued)

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.

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables, term deposits** – are estimated to be the carrying value that approximates market value.
- Financial assets classified (i) **'at fair value through profit and loss'** or (ii) **'available-for-sale'** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

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

The risks associated with the instruments held are:

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 1% movement in interest rates	14	–	(14)	–
<b>2018</b>				
Possible impact of a 1% movement in interest rates	16	–	(16)	–

## (b) Credit risk

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Financial risk management (continued)

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

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

**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. Historically our bad debts are nil.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	31	–	–	–	–	31
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–
<b>2018</b>						
Gross carrying amount	890	–	–	–	–	890
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–

**(c) Liquidity risk**

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2019</b>							
Trade/other payables	0.00%	–	403	–	–	403	403
<b>Total financial liabilities</b>		–	<b>403</b>	–	–	<b>403</b>	<b>403</b>
<b>2018</b>							
Trade/other payables	0.00%	–	1,388	–	–	1,388	1,432
<b>Total financial liabilities</b>		–	<b>1,388</b>	–	–	<b>1,388</b>	<b>1,432</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 15. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 14/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>REVENUES</b>				
<b>User charges and fees</b>	89	53	(36)	(40)% <b>U</b>
The External Contract Work did not meet the Budget forecast.				
<b>Interest and investment revenue</b>	48	53	5	10% <b>F</b>
<b>Other revenues</b>	133	207	74	56% <b>F</b>
Other Revenues were greater than the Budget as we picked up a few jobs and other revenues that we were not expecting to, when the Budget was completed.				
<b>Operating grants and contributions</b>	1,223	1,221	(2)	0% <b>U</b>
<b>Net gains from disposal of assets</b>	–	8	8	∞ <b>F</b>
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	1,074	979	95	9% <b>F</b>
<b>Materials and contracts</b>	149	261	(112)	(75)% <b>U</b>
This result is mainly due to actual expenses for Plant Running, 20 Million Trees, CBSM & Local Landcare Coordinator being more than budgeted for.				
<b>Depreciation and amortisation</b>	102	96	6	6% <b>F</b>
Actual Depreciation was better than forecast as less Assets were purchased than budgeted for.				
<b>Other expenses</b>	195	229	(34)	(17)% <b>U</b>
Computer Software charges were greater than budget for.				
<b>Net losses from disposal of assets</b>	–	–	–	∞ <b>F</b>
<b>STATEMENT OF CASH FLOWS</b>				
<b>Net cash provided from (used in) operating activities</b>	–	(82)	(82)	∞ <b>U</b>
<b>Net cash provided from (used in) investing activities</b>	–	903	903	∞ <b>F</b>

### Note 16. Fair Value Measurement

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

### Note 16. Fair Value Measurement (continued)

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2019	Notes	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	
<b>Recurring fair value measurements</b>						
<b>Infrastructure, property, plant and equipment</b>						
	9					
Land at Fair Valuation		30/06/19	–	–	911	911
Buildings at Fair Valuation		30/06/19	–	–	289	289
<b>Total infrastructure, property, plant and equipment</b>			<b>–</b>	<b>–</b>	<b>1,200</b>	<b>1,200</b>

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Infrastructure, property, plant and equipment</b>						
	9					
Plant & Equipment			–	–	282	282
Furniture & Office Equipment			–	–	27	27
Land at Fair Valuation			–	–	557	557
Buildings at Fair Valuation			–	–	226	226
<b>Total infrastructure, property, plant and equipment</b>			<b>–</b>	<b>–</b>	<b>1,092</b>	<b>1,092</b>

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 16. Fair Value Measurement (continued)

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

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

For the Land & Buildings, the Council uses a registered Valuer to determine the fair value every 5 years.

#### **(3) Highest and best use**

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

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

### Note 17. Related Party Transactions

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#### 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.

There were no other transactions with KMP and their related parties in the current year. (2018:53)

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

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>Compensation:</b>		
Short-term benefits	160	153
<b>Total</b>	<b>160</b>	<b>153</b>

### Note 18. Events occurring after the reporting date

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(31)</b>				
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>1,534</b>	<b>(2.02)%</b>	(4.26)%	(11.63)%	>0.00%
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>313</b>				
Total continuing operating revenue <sup>1</sup>	<b>1,534</b>	<b>20.40%</b>	21.09%	23.26%	>60.00%
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>1,401</b>				
Current liabilities less specific purpose liabilities	<b>543</b>	<b>2.58x</b>	1.40x	2.31x	>1.50x
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>65</b>				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>–</b>	∞	∞	∞	>2.00x
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>1,506</b>				
Monthly payments from cash flow of operating and financing activities	<b>242</b>	<b>6.23 mths</b>	14.30 mths	10.10 mths	>3.00 mths

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

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

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

Note 19(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Benchmark
	2019	2018	
<b>1. Operating performance ratio</b>			
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(2.02)%</b>	(4.26)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>			
<b>2. Own source operating revenue ratio</b>			
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>20.40%</b>	21.09%	>60.00%
Total continuing operating revenue <sup>1</sup>			
<b>3. Unrestricted current ratio</b>			
Current assets less all external restrictions	<b>2.58x</b>	1.40x	>1.50x
Current liabilities less specific purpose liabilities			
<b>4. Debt service cover ratio</b>			
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)			
<b>6. Cash expense cover ratio</b>			
Current year's cash and cash equivalents plus all term deposits	<b>6.23</b>	14.30	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths	mths

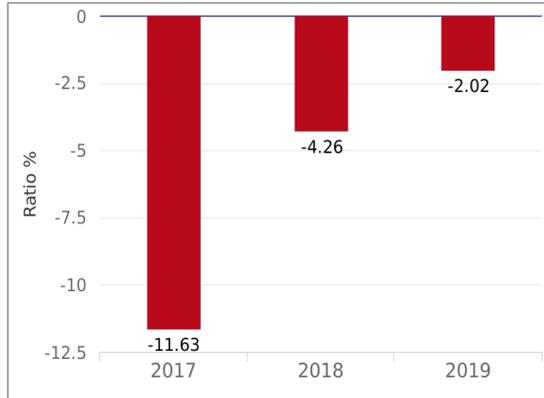
(1) - (2) Refer to Notes at Note 28a above.

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

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

Note 19(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



**Purpose of operating performance ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio (2.02)%

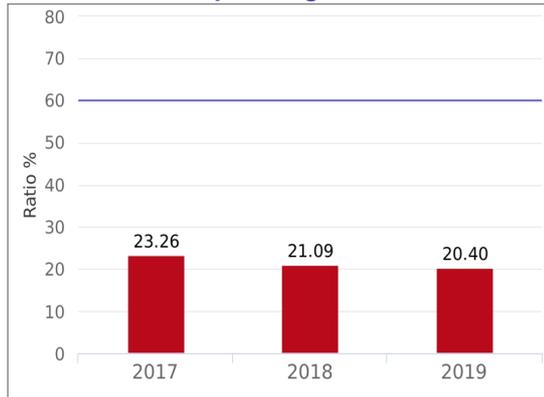
Income for FYE 2019 is greater than Expenses, and an improvement over last year.

Benchmark: — > 0.00%

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

Ratio achieves benchmark  
Ratio is outside benchmark

2. Own source operating revenue ratio



**Purpose of own source operating revenue ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio 20.40%

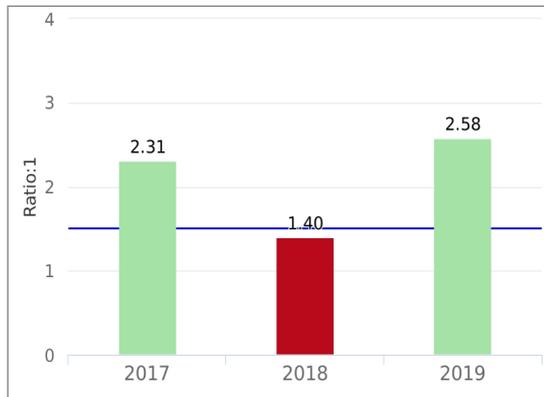
Council's funding is mainly derived from grants and contributions from other tiers of government.

Benchmark: — > 60.00%

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

Ratio achieves benchmark  
Ratio is outside benchmark

3. Unrestricted current ratio



**Purpose of unrestricted current ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio 2.58x

We believe that we will not have a short term problem as we have Term Deposits maturing in July & August 2019.

Benchmark: — > 1.50x

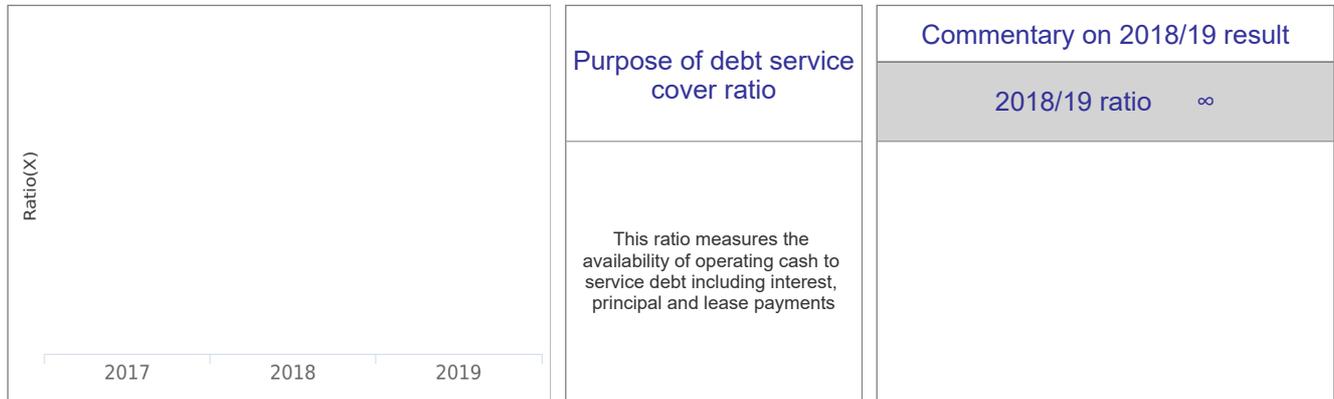
Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark  
Ratio is outside benchmark

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

Note 19(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



**Purpose of debt service cover ratio**

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

**Commentary on 2018/19 result**

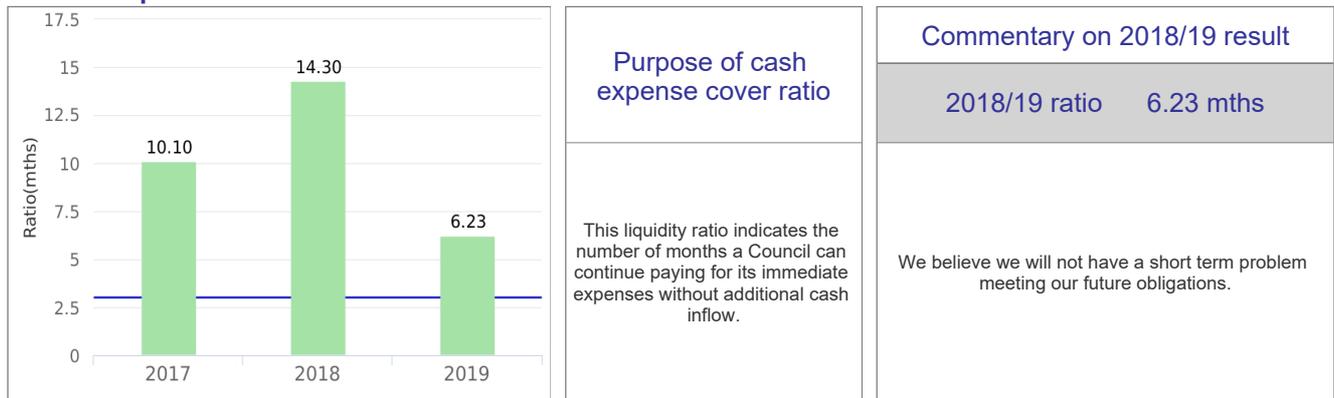
2018/19 ratio ∞

Benchmark: — > 2.00x

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

Ratio achieves benchmark (Green square)  
Ratio is outside benchmark (Red square)

6. Cash expense cover ratio



**Purpose of cash expense cover ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio 6.23 mths

We believe we will not have a short term problem meeting our future obligations.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark (Green square)  
Ratio is outside benchmark (Red square)

Note 20. Financial review

(a) Review and commentary on Council’s financial result

- Review and commentary on Council’s financial result
- Review and commentary on Council’s financial position
- Review and commentary on Council’s cash flows

\$ '000	2019	2018	2017	2016	2015
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(b) Key financial figures of Council over the past 5 years

**Inflows:**

User charges revenue	53	76	–	–	–
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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Financial review (continued)

\$ '000	2019	2018	2017	2016	2015
Interest and investment revenue (losses)	53	48	–	–	–
Grants income – operating and capital	519	519	–	–	–
Total income from continuing operations	1,542	1,527	–	–	–
Sale proceeds from I,PP&E	8	78	–	–	–
<b>Outflows:</b>					
Employee benefits and on-cost expenses	979	1,105	–	–	–
Materials and contracts expenses	261	159	–	–	–
Total expenses from continuing operations	1,565	1,595	–	–	–
Total cash purchases of I,PP&E	35	121	–	–	–
Operating surplus/(deficit) (excl. capital income)	(23)	(68)	–	–	–
<b>Financial position figures</b>					
Current assets	1,555	2,519	–	–	–
Current liabilities	674	1,676	–	–	–
Net current assets	881	843	–	–	–
Available working capital (Unrestricted net current assets)	998	731	–	–	–
Cash and investments – unrestricted	1,352	1,259	–	–	–
Cash and investments – total	1,506	1,615	–	–	–
Total value of I,PP&E (excl. land and earthworks)	1,762	1,648	1,608	–	–
Total accumulated depreciation	1,208	1,112	1,010	–	–
Indicative remaining useful life (as a % of GBV)	31%	33%	37%	100%	100%

**Source:** published audited financial statements of Council (current year and prior year)

### Note 21. Council information and contact details

#### Principal place of business:

6 Walker Street  
South Windsor NSW 2756

#### Contact details

##### Mailing Address:

PO Box 6021  
South Windsor DC 2756

**Telephone:** (02) 4587 0230

**Facsimile:** (02) 4587 7354

##### Opening hours:

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

**Internet:** [www.hrcc.nsw.gov.au](http://www.hrcc.nsw.gov.au)

**Email:** [council@hrcc.nsw.gov.au](mailto:council@hrcc.nsw.gov.au)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Council information and contact details (continued)

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**Officers**

**General Manager**

Chris Dewhurst

**Responsible Accounting Officer**

Chris Dewhurst

**Public Officer**

Chris Dewhurst

**Auditors**

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

**Elected members**

**Chairperson**

Clr. Karen McKeown OAM

**Councillors**

Clr. Brooke Collins OAM  
Clr. Alan Haselden  
Clr. Julie Griffiths  
Clr. Brad Bunting  
Clr. Nathan Zamprogno  
Clr Amanda Kotlash  
Clr. Karen McKeown OAM  
Clr. Marcus Cornish

**Other information**

**ABN:** 21 896 475 470



Clr Brad Bunting  
Chairperson  
Hawkesbury River County Council  
PO Box 6021  
SOUTH WINDSOR NSW 2756

Contact: Somaiya Ahmed  
Phone no: 02 9275 7424  
Our ref: D1925982/1818

31 October 2019

Dear Councillor Bunting

**Report on the Conduct of the Audit  
for the year ended 30 June 2019  
Hawkesbury River County Council**

I have audited the general purpose financial statements (GPFS) of the Hawkesbury River County 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

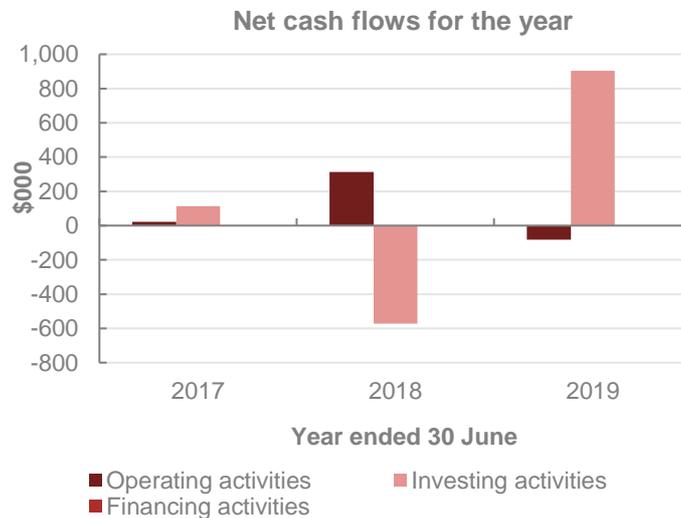
	2019 \$'000	2018 \$'000	Variance %
User charges and fees	53	76	↓ 30.3
Grants and contributions revenue	1,221	1,205	↑ 1.3
Operating result for the year	(23)	(68)	↑ 66.2
Net operating result before capital grants and contributions	(23)	(68)	↑ 66.2

Council's operating result deficit of \$23,000 (including the effect of depreciation and amortisation expense of \$96,000) was \$45,000 higher than the 2017–18 result.

The improvement was mainly due to the decrease in employee benefits and on-costs expenses of \$126,000, offset by increases in other expenses.

## STATEMENT OF CASH FLOWS

- Cash flows from operating activities decreased due to less user charges and fees received, and increased other payments.
- Cash flows from investing activities increased due to greater proceeds from redemption of investment securities.
- The Council does not engage in any financing activities.



## FINANCIAL POSITION

### Cash and investments

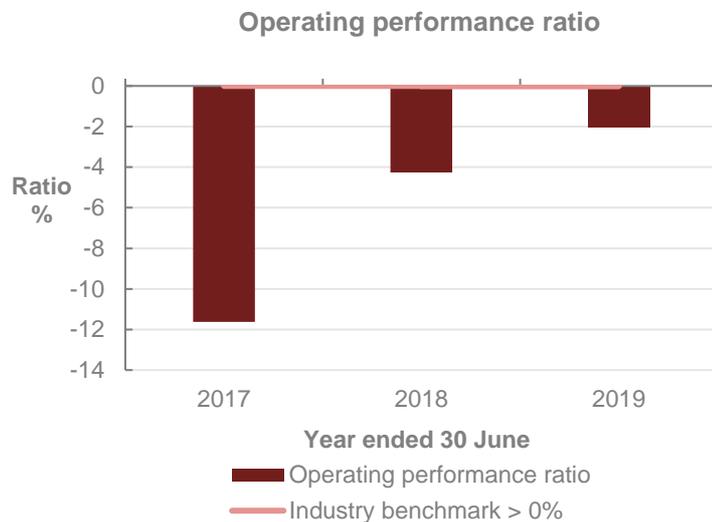
Cash and investments	2019	2018	Commentary
	\$'000	\$'000	
External restrictions	154	356	• Externally restricted funds relate to specific purpose unexpended grants, which decreased in the current year.
Unrestricted	1,352	1,259	
<b>Cash and investments</b>	<b>1,506</b>	<b>1,615</b>	• Unrestricted cash is used to meet day-to-day obligations.

## PERFORMANCE

### Operating performance ratio

- Council has not met the industry benchmark in the last three years as spending exceeds revenue.
- The ratio has improved in 2018–19 due to the increase in the net operating result as noted above.

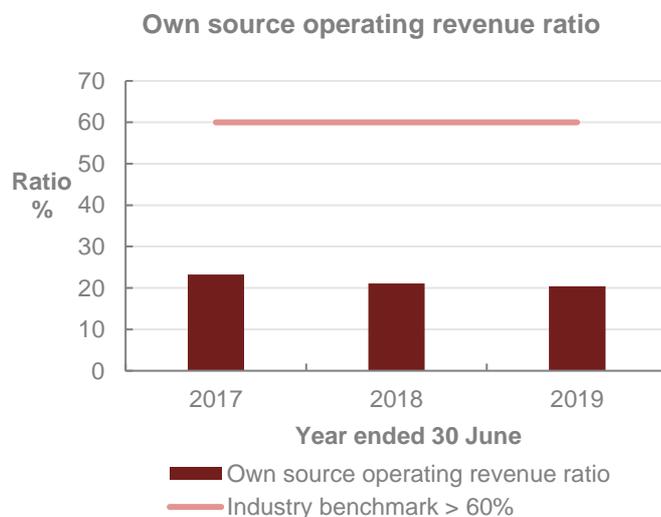
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



### Own source operating revenue ratio

- Council has not met the industry benchmark in the last three years.
- This ratio has remained fairly stable year on year.
- The ratio reflects that the Council's main source of income is derived from government grants and contributions. This is expected given the Council was established for a specific purpose.

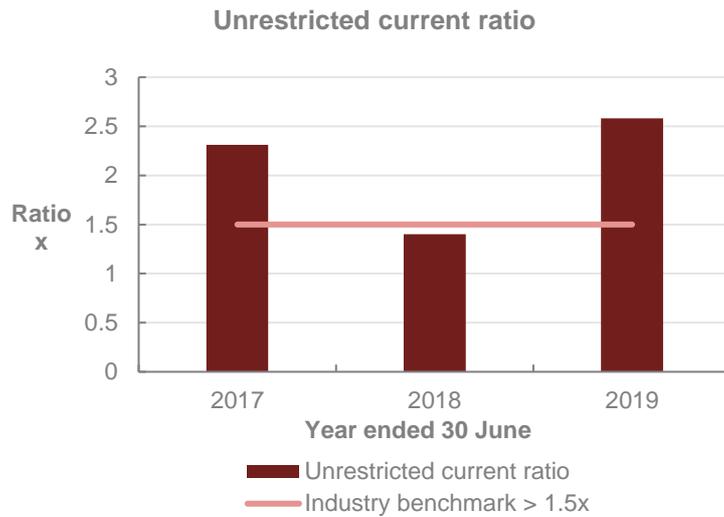
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



## Unrestricted current ratio

- Council has met the industry benchmark in 2018–19.
- The ratio increased from last year due to reduced restrictions on cash and investments
- This ratio indicates that Council currently has \$2.58 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

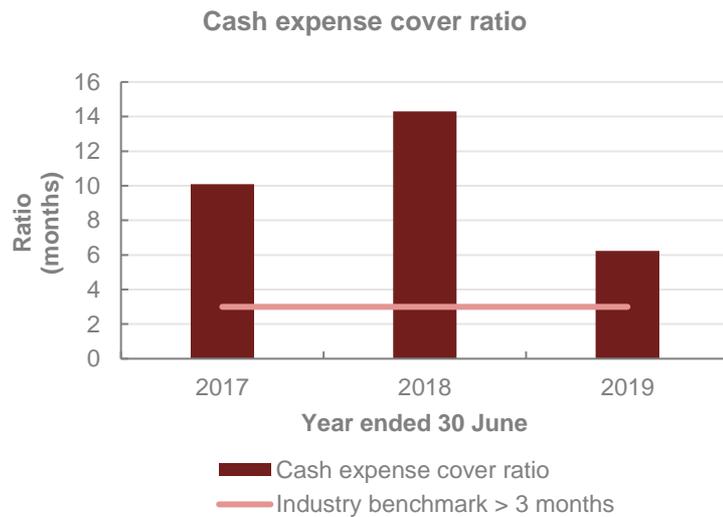
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



## Cash expense cover ratio

- Council has exceeded the industry benchmark for the past three years.
- This indicates that Council had the capacity to cover over 6 months of cash expenditure without additional cash inflows at 30 June 2019.

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.



## OTHER MATTERS

### New accounting standards implemented

Application period	Overview
<b>AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'</b>	
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"><li>• a simplified model for classifying and measuring financial assets</li><li>• a new method for calculating impairment</li><li>• a new type of hedge accounting that more closely aligns with risk management.</li></ul> <p>The revised AASB 7 includes new disclosures as a result of AASB 9. Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 12(b).</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.



Somaiya Ahmed  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Hawkesbury River County Council

To the Councillors of the Hawkesbury River County Council

### Opinion

I have audited the accompanying financial statements of Hawkesbury River County 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.

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.

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](http://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 15 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 'Somaiya', with a stylized flourish at the end.

Somaiya Ahmed  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

31 October 2019  
SYDNEY