

# Bland Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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# Bland Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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# General Purpose Financial Statements

for the year ended 30 June 2020

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## Overview

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

6-10 Shire Street  
West Wyalong NSW 2671

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

# Bland Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2020

### 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 2020.

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.

## Bland Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2020

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.

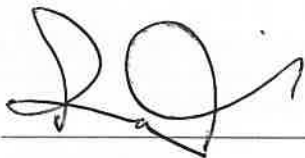
Signed in accordance with a resolution of Council made on 20 October 2020.



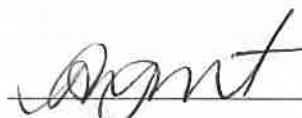
Brian Monaghan  
**Mayor**  
20 October 2020



Rodney Crowe  
**Councillor**  
20 October 2020



Raymond Smith  
**General Manager**  
20 October 2020



Leesa Bryant  
**Responsible Accounting Officer**  
20 October 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Income from continuing operations</b>				
9,359	Rates and annual charges	3a	9,356	9,052
2,018	User charges and fees	3b	2,122	3,102
578	Other revenues	3c	1,113	536
11,237	Grants and contributions provided for operating purposes	3d,3e	13,764	12,623
2,102	Grants and contributions provided for capital purposes	3d,3e	13,787	8,237
414	Interest and investment income	4	472	886
–	Rental income	13c	140	–
25,708	<b>Total income from continuing operations</b>		40,754	34,436
<b>Expenses from continuing operations</b>				
6,387	Employee benefits and on-costs	5a	6,393	6,750
51	Borrowing costs	5b	79	296
5,315	Materials and contracts	5c	5,571	6,377
8,405	Depreciation and amortisation	5d	8,659	8,836
2,068	Other expenses	5e	2,501	2,201
–	Net losses from the disposal of assets	6	798	656
22,226	<b>Total expenses from continuing operations</b>		24,001	25,116
3,482	<b>Operating result from continuing operations</b>		16,753	9,320
3,482	<b>Net operating result for the year</b>		16,753	9,320
–	Net operating result attributable to council		16,753	9,320
–	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		2,966	1,083

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>16,753</b>	<b>9,320</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	25,382	22
Impairment (loss) reversal / (Revaluation decrement) relating to IPP&E	10	–	(13,921)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>25,382</b>	<b>(13,899)</b>
<b>Total other comprehensive income for the year</b>		<b>25,382</b>	<b>(13,899)</b>
<b>Total comprehensive income for the year</b>		<b>42,135</b>	<b>(4,579)</b>
Total comprehensive income attributable to Council		42,135	(4,579)

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	7,130	6,352
Investments	7(b)	34,200	28,700
Receivables	8	1,628	1,384
Inventories	9a	1,326	854
<b>Total current assets</b>		<u>44,284</u>	<u>37,290</u>
<b>Non-current assets</b>			
Investments	7(b)	6,000	2,000
Receivables	8	210	189
Infrastructure, property, plant and equipment	10	347,035	320,293
Investment property	11	1,254	366
Other	9b	198	198
<b>Total non-current assets</b>		<u>354,697</u>	<u>323,046</u>
<b>Total assets</b>		<u>398,981</u>	<u>360,336</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	14	938	608
Income received in advance	14	–	413
Contract liabilities	12	172	–
Borrowings	14	93	93
Provisions	15	2,729	3,083
<b>Total current liabilities</b>		<u>3,932</u>	<u>4,197</u>
<b>Non-current liabilities</b>			
Payables	14	39	39
Borrowings	14	925	1,000
Provisions	15	4,385	4,703
<b>Total non-current liabilities</b>		<u>5,349</u>	<u>5,742</u>
<b>Total liabilities</b>		<u>9,281</u>	<u>9,939</u>
<b>Net assets</b>		<u>389,700</u>	<u>350,397</u>
<b>EQUITY</b>			
Accumulated surplus	16	157,793	143,872
Revaluation reserves	16	231,907	206,525
<b>Council equity interest</b>		<u>389,700</u>	<u>350,397</u>
<b>Total equity</b>		<u>389,700</u>	<u>350,397</u>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		143,872	206,525	350,397	134,552	220,424	354,976
Changes due to AASB 1058 and AASB 15 adoption	16	(2,832)	–	(2,832)	–	–	–
<b>Restated opening balance</b>		<b>141,040</b>	<b>206,525</b>	<b>347,565</b>	<b>134,552</b>	<b>220,424</b>	<b>354,976</b>
Net operating result for the year		16,753	–	16,753	9,320	–	9,320
<b>Restated net operating result for the period</b>		<b>16,753</b>	<b>–</b>	<b>16,753</b>	<b>9,320</b>	<b>–</b>	<b>9,320</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10	–	25,382	25,382	–	22	22
– Impairment (loss) reversal / (Revaluation decrement) relating to IPP&E	10	–	–	–	–	(13,921)	(13,921)
<b>Other comprehensive income</b>		<b>–</b>	<b>25,382</b>	<b>25,382</b>	<b>–</b>	<b>(13,899)</b>	<b>(13,899)</b>
<b>Total comprehensive income</b>		<b>16,753</b>	<b>25,382</b>	<b>42,135</b>	<b>9,320</b>	<b>(13,899)</b>	<b>(4,579)</b>
<b>Equity – balance at end of the reporting period</b>		<b>157,793</b>	<b>231,907</b>	<b>389,700</b>	<b>143,872</b>	<b>206,525</b>	<b>350,397</b>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
9,359	Rates and annual charges		9,721	8,921
2,018	User charges and fees		1,282	3,406
414	Investment and interest revenue received		744	790
13,339	Grants and contributions		24,891	20,860
578	Other		1,371	491
<i>Payments:</i>				
(6,387)	Employee benefits and on-costs		(6,777)	(6,705)
(5,315)	Materials and contracts		(5,797)	(6,623)
(51)	Borrowing costs		(39)	(296)
–	Bonds, deposits and retention amounts refunded		(2)	–
(2,068)	Other		(2,829)	(1,859)
<b>11,887</b>	<b>Net cash provided (or used in) operating activities</b>	17b	<b>22,565</b>	<b>18,985</b>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
(100)	Sale of real estate assets		–	75
(291)	Sale of infrastructure, property, plant and equipment		569	647
<i>Payments:</i>				
–	Purchase of investment securities		(9,503)	(2,973)
–	Purchase of investment property		(888)	(366)
(1,275)	Purchase of infrastructure, property, plant and equipment		(11,383)	(13,486)
–	Purchase of real estate assets		(507)	73
<b>(1,666)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(21,712)</b>	<b>(16,030)</b>
<b>Cash flows from financing activities</b>				
<i>Payments:</i>				
–	Repayment of borrowings and advances		(75)	(154)
–	<b>Net cash flow provided (used in) financing activities</b>		<b>(75)</b>	<b>(154)</b>
<b>10,221</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>778</b>	<b>2,801</b>
–	Plus: cash and cash equivalents – beginning of year	17a	6,352	3,551
<b>10,221</b>	<b>Cash and cash equivalents – end of the year</b>	17a	<b>7,130</b>	<b>6,352</b>
–	plus: Investments on hand – end of year	7(b)	40,200	30,700
<b>10,221</b>	<b>Total cash, cash equivalents and investments</b>		<b>47,330</b>	<b>37,052</b>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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 2020

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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 20/10/2020. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

#### (a) 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.

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) employee benefit provisions – refer Note 15
- (iii) estimated tip remediation provisions - refer Note 15.

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

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 8.

#### 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
- Sewerage service

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### (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 other assets subject to Council's control have been included in these reports

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

#### Goods and Services Tax (GST)

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

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

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

#### Volunteer services

Bland Shire Council are fortunate to have community minded individuals volunteering for Council in several service areas including, but not limited to the library, children's services, aged care services and community services. The volunteer services have not been recognised in these financial statements given that Council is not in a position to purchase these services had they not been provided voluntarily and the fair value is going to be an unreliable measure. This treatment of volunteer services is acceptable under AASB 1058.

#### New accounting standards and interpretations issued not yet effective

##### New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods (and which have not been early adopted by Council).

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

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

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

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

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

##### New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 16.

## Notes to the Financial Statements

for the year ended 30 June 2020

## 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		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Our People	2,053	1,814	2,515	2,581	(462)	(767)	6,857	2,089	–	–
Our Places	21,283	16,255	16,936	17,846	4,347	(1,591)	14,080	12,127	326,425	320,132
Our Leadership	17,194	16,118	3,342	3,505	13,852	12,613	4,538	4,636	–	–
Our Prosperity	224	249	1,208	1,184	(984)	(935)	699	72	40,831	40,044
Other	–	–	–	–	–	–	–	–	31,725	160
<b>Total functions and activities</b>	<b>40,754</b>	<b>34,436</b>	<b>24,001</b>	<b>25,116</b>	<b>16,753</b>	<b>9,320</b>	<b>26,174</b>	<b>18,924</b>	<b>398,981</b>	<b>360,336</b>

**Notes to the Financial Statements**

for the year ended 30 June 2020

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

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**Our People**

Ensure health and support services address the needs of the community. Partner with organisations to strengthen community health and safety. Nurture a strong sense of community and enrich the cultural life of the residents. Ensure services are accessible for all residents.

**Our Places**

Work in partnership with key stakeholders to provide equitable access to Council's road infrastructure, services and facilities. Manage waste and recycling to improve the utilisation of existing resources, including exploring new technologies. Manage water and sewerage resources. Ensure that public places and facilities are well maintained and easily accessible. Develop, implement and monitor appropriate programs, plans and budgets for the effective and efficient management of Council's assets and infrastructure.

**Our Leadership**

To provide quality leadership, governance and management to develop strong community partnerships. Provide opportunities for all stakeholders to contribute to Council's decision making. Lead the community. Develop and maintain a framework of plans and policies that ensures open and transparent Council information.

**Our Prosperity**

Work with our communities and businesses to use our resources in a sustainable way for the future of the Bland Shire. Promote the Shire as a place to do business. Visitors and tourists are welcomed.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	1,146	1,123
Farmland	1058 (1)	4,038	3,927
Mining	1058 (1)	955	910
Business	1058 (1)	494	479
Other	1058 (1)	10	36
<b>Rates levied to ratepayers</b>		<b>6,643</b>	<b>6,475</b>
Pensioner rate subsidies received	1058 (1)	42	41
<b>Total ordinary rates</b>		<b>6,685</b>	<b>6,516</b>
<b>Special rates</b>			
Sewerage services	1058 (1)	1,556	1,480
<b>Rates levied to ratepayers</b>		<b>1,556</b>	<b>1,480</b>
<b>Total special rates</b>		<b>1,556</b>	<b>1,480</b>
<b>Annual charges</b>			
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>			
Domestic waste management services	1058 (1)	805	761
Waste management services (non-domestic)	1058 (1)	264	249
<b>Annual charges levied</b>		<b>1,069</b>	<b>1,010</b>
Pensioner subsidies received:			
– Sewerage	1058 (1)	20	20
– Domestic waste management	1058 (1)	26	26
<b>Total annual charges</b>		<b>1,115</b>	<b>1,056</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>9,356</b>	<b>9,052</b>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

**15 (1)** indicates income recognised under AASB 15 “at a point in time”,

**15 (2)** indicates income recognised under AASB 15 “over time”,

**1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while

**1058 (2)** indicates income recognised under AASB 1058 “over time”.

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

**Accounting policy for rates and charges**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	15 (1)	269	252
Sewerage services	15 (1)	30	42
Waste management services (non-domestic)	15 (1)	49	38
<b>Total specific user charges</b>		<b>348</b>	<b>332</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation	15 (1)	123	158
Private works – section 67	15 (1)	908	1,652
Section 603 certificates	15 (1)	14	14
<b>Total fees and charges – statutory/regulatory</b>		<b>1,045</b>	<b>1,824</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome	15 (1)	–	1
Aged care	15 (1)	41	29
Cemeteries	15 (1)	114	108
Child care	15 (1)	208	217
Lease rentals	15 (1)	217	376
Leaseback fees – Council vehicles	15 (1)	46	49
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (1)	4	22
Saleyards	15 (1)	24	39
Community amenities	15 (1)	49	80
Community development	15 (1)	10	5
Drainage diagrams	15 (1)	3	3
Libraries	15 (1)	2	4
Public health	15 (1)	11	13
<b>Total fees and charges – other</b>		<b>729</b>	<b>946</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>2,122</b>	<b>3,102</b>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

**15 (1)** indicates income recognised under AASB 15 “at a point in time”,

**15 (2)** indicates income recognised under AASB 15 “over time”,

**1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while

**1058 (2)** indicates income recognised under AASB 1058 “over time”.

**Accounting policy for user charges and fees**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Rental income – other council properties (2019 only)		40	45
Fines	1058 (1)	6	2
Diesel rebate	1058 (1)	95	112
Insurance claims recoveries	1058 (1)	65	64
Sales – general	15 (1)	12	146
Donations	1058 (1)	2	19
Paid parental leave	15 (1)	41	19
Staff contributions	15 (1)	17	4
WHS incentive	1058 (1)	6	44
Other	15 (1)	829	81
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>1,113</u></b>	<b><u>536</u></b>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

**15 (1)** indicates income recognised under AASB 15 “at a point in time”,

**15 (2)** indicates income recognised under AASB 15 “over time”,

**1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while

**1058 (2)** indicates income recognised under AASB 1058 “over time”.

**Accounting policy for other revenue**

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

**2019 accounting policy:**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	2,346	4,636	–	–
Financial assistance – local roads component	1058 (1)	1,521	3,006	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	1058 (1)	2,487	–	–	–
Financial assistance – local roads component	1058 (1)	1,612	–	–	–
<b>Other</b>					
Other grants		2,872	–	–	–
<b>Total general purpose</b>		<b>10,838</b>	<b>7,642</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Aged care	1058 (1)	56	87	–	–
Bushfire and emergency services	1058 (1)	15	18	–	–
Community centres	1058 (1)	182	201	–	–
Heritage and cultural	1058 (1)	–	12	–	–
Library	1058 (1)	74	32	–	–
Noxious weeds	1058 (1)	61	60	–	–
Recreation and culture	1058 (2)	–	–	849	810
Storm/flood damage	1058 (1)	46	37	–	–
Street lighting	1058 (1)	–	31	–	–
Transport (roads to recovery)	1058 (1)	–	1,917	2,775	–
Transport (other roads and bridges funding)	1058 (1)	365	–	8,894	6,340
Childrens services	1058 (1)	1,360	1,086	–	–
Community services	1058 (1)	655	651	–	–
Other	1058 (1)	4	–	–	–
<b>Total specific purpose</b>		<b>2,818</b>	<b>4,132</b>	<b>12,518</b>	<b>7,150</b>
<b>Total grants</b>		<b>13,656</b>	<b>11,774</b>	<b>12,518</b>	<b>7,150</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		7,986	9,559	2,775	–
– State funding		2,849	2,215	9,915	7,150
– Other funding		2,821	–	(172)	–
		<b>13,656</b>	<b>11,774</b>	<b>12,518</b>	<b>7,150</b>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

**15 (1)** indicates income recognised under AASB 15 “at a point in time”,

**15 (2)** indicates income recognised under AASB 15 “over time”,

**1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while

**1058 (2)** indicates income recognised under AASB 1058 “over time”.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	24	14
S 64 – sewerage service contributions		1058 (1)	–	–	5	–
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>29</b>	<b>14</b>
<b>Non-cash contributions</b>						
S 64 – sewerage service contributions		1058 (1)	–	–	3	–
<b>Total developer contributions non-cash</b>			<b>–</b>	<b>–</b>	<b>3</b>	<b>–</b>
<b>Total developer contributions</b>	25		<b>–</b>	<b>–</b>	<b>32</b>	<b>14</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Recreation and culture		1058 (2)	18	10	–	5
RMS contributions (regional roads, block grant)		1058 (1)	–	733	1,229	1,068
Tourism		1058 (1)	–	–	8	–
Other		15 (1)	89	106	–	–
<b>Total other contributions – cash</b>			<b>107</b>	<b>849</b>	<b>1,237</b>	<b>1,073</b>
<b>Non-cash contributions</b>						
RMS contributions (regional roads, block grant)		1058 (1)	1	–	–	–
<b>Total other contributions – non-cash</b>			<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total other contributions</b>			<b>108</b>	<b>849</b>	<b>1,237</b>	<b>1,073</b>
<b>Total contributions</b>			<b>108</b>	<b>849</b>	<b>1,269</b>	<b>1,087</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>13,764</b>	<b>12,623</b>	<b>13,787</b>	<b>8,237</b>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

**15 (1)** indicates income recognised under AASB 15 “at a point in time”,

**15 (2)** indicates income recognised under AASB 15 “over time”,

**1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while

**1058 (2)** indicates income recognised under AASB 1058 “over time”.

**Accounting policy for grants and contributions**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(f) Unspent grants and contributions – external restrictions</b>		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	2,013	1,796
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	385	302
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	–	(85)
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	(180)	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>2,218</b>	<b>2,013</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	819	1,132
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	2,123	390
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	–	(703)
<b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income	(206)	–
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>2,736</b>	<b>819</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	221	207
<b>Add:</b> contributions recognised as income in the current period but not yet spent	29	14
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>250</b>	<b>221</b>

## Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	39	41
– Cash and investments	433	845
<b>Total Interest and investment income</b>	<b>472</b>	<b>886</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	39	41
General Council cash and investments	421	833
<b>Restricted investments/funds – external:</b>		
Sewerage fund operations	12	12
<b>Total interest and investment revenue</b>	<b>472</b>	<b>886</b>

**Accounting policy for interest and investment revenue**

Interest income is recognised using the effective interest rate at the date that interest is earned. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	3,885	4,326
Travel expenses	15	21
Employee leave entitlements (ELE)	1,348	1,106
Superannuation	815	874
Workers' compensation insurance	162	234
Fringe benefit tax (FBT)	65	65
Training costs (other than salaries and wages)	82	106
Other	21	18
<b>Total employee costs</b>	<b>6,393</b>	<b>6,750</b>
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>6,393</b>	<b>6,750</b>
Number of 'full-time equivalent' employees (FTE) at year end	125	116

**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 15 for more information.

\$ '000	Notes	2020	2019
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		39	56
<b>Total interest bearing liability costs</b>		<b>39</b>	<b>56</b>
<b>Total interest bearing liability costs expensed</b>		<b>39</b>	<b>56</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	15	40	240
<b>Total other borrowing costs</b>		<b>40</b>	<b>240</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>79</b>	<b>296</b>

**Accounting policy for borrowing costs**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	4,842	5,595
Contractor and consultancy costs	407	448
Auditors remuneration <sup>2</sup>	63	81
<b>Legal expenses:</b>		
– Legal expenses: other	3	3
Expenses from leases of low value assets (2020 only)	75	–
<b>Operating leases expense (2019 only):</b>		
Water	109	88
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	86
Printing and stationery	59	63
Other	13	13
<b>Total materials and contracts</b>	<b>5,571</b>	<b>6,377</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>5,571</b>	<b>6,377</b>

**Accounting policy for materials and contracts**

Expenses are recorded on an accruals basis as the council receives the goods or services.

**Operating leases (2019 only)**

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

**1. Operating lease payments are attributable to:**

Computers	–	72
Photocopiers	–	14
	<b>–</b>	<b>86</b>

**2. Auditor remuneration**

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

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

Audit and review of financial statements	28	53
<b>Remuneration for audit and other assurance services</b>	<b>28</b>	<b>53</b>

**Total Auditor-General remuneration**

	28	53
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**Non NSW Auditor-General audit firms****(i) Audit and other assurance services**

Audit and review of financial statements	35	28
<b>Remuneration for audit and other assurance services</b>	<b>35</b>	<b>28</b>

**Total remuneration of non NSW Auditor-General audit firms**

	35	28
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**Total Auditor remuneration**

	63	81
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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		869	1,032
Office equipment		147	128
Furniture and fittings		6	1
Land improvements (depreciable)		52	52
<b>Infrastructure:</b>	10		
– Buildings – non-specialised		818	814
– Other structures		105	104
– Roads		4,347	4,338
– Bridges		330	330
– Footpaths		171	171
– Stormwater drainage		327	327
– Sewerage network		297	282
– Swimming pools		108	104
– Other open space/recreational assets		757	718
– Other infrastructure		312	311
<b>Other assets:</b>			
– Library books		–	25
<b>Reinstatement, rehabilitation and restoration assets:</b>			
- Gravel Pits		11	99
- Sewer		2	–
<b>Total depreciation and amortisation costs</b>		<b>8,659</b>	<b>8,836</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>	10		
– Roads		–	13,921
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>–</b>	<b>13,921</b>
Amounts taken through revaluation reserve	10	–	(13,921)
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>–</b>	<b>–</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<b><u>8,659</u></b>	<b><u>8,836</u></b>

**Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets****Depreciation and amortisation**

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

**Impairment of non-financial assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 5. Expenses from continuing operations (continued)

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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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>(e) Other expenses</b>		
Advertising	88	51
Bad and doubtful debts	10	10
Bank charges	18	18
Child care – parent fees	393	397
Contributions/levies to other levels of government	436	347
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	106	103
Councillors' expenses (incl. mayor) – other (excluding fees above)	27	38
Donations, contributions and assistance to other organisations (Section 356)	153	51
Electricity and heating	232	219
Fire control expenses	50	69
Insurance	493	433
Street lighting	139	176
Subscriptions and publications	97	116
Telephone and communications	100	128
Other	133	20
<b>Total other expenses</b>	<b>2,501</b>	<b>2,201</b>
<b>TOTAL OTHER EXPENSES</b>	<b>2,501</b>	<b>2,201</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
<b>Property (excl. investment property)</b>			
Less: carrying amount of property assets sold/written off		–	(1)
<b>Net gain/(loss) on disposal</b>		<u>–</u>	<u>(1)</u>
<b>Plant and equipment</b>	10		
Proceeds from disposal – plant and equipment		569	647
Less: carrying amount of plant and equipment assets sold/written off		(629)	(548)
<b>Net gain/(loss) on disposal</b>		<u>(60)</u>	<u>99</u>
<b>Infrastructure</b>	10		
Less: carrying amount of infrastructure assets sold/written off		(725)	(820)
<b>Net gain/(loss) on disposal</b>		<u>(725)</u>	<u>(820)</u>
<b>Real estate assets held for sale</b>	9		
Proceeds from disposal – real estate assets		–	75
<b>Net gain/(loss) on disposal</b>		<u>–</u>	<u>75</u>
<b>Investments</b>	7(b)		
Less: carrying amount of investments sold/redeemed/matured		(3)	(9)
<b>Net gain/(loss) on disposal</b>		<u>(3)</u>	<u>(9)</u>
<b>Other Open Space/Recreational Assets</b>			
Less: carrying amount of other open space/recreational assets sold/written off		(10)	–
<b>Net gain/(loss) on disposal</b>		<u>(10)</u>	<u>–</u>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<u>(798)</u>	<u>(656)</u>

**Accounting policy for disposal of assets**

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

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

## Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	3,388	1,641
Cash-equivalent assets		
– Deposits at call	3,742	4,711
<b>Total cash and cash equivalents</b>	<u>7,130</u>	<u>6,352</u>

**Accounting policy for cash and cash equivalents**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7(b). Investments

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
<b>Investments</b>				
'Financial assets at amortised cost'	34,200	6,000	28,700	2,000
<b>Total Investments</b>	<b>34,200</b>	<b>6,000</b>	<b>28,700</b>	<b>2,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>41,330</b>	<b>6,000</b>	<b>35,052</b>	<b>2,000</b>
<b>Financial assets at amortised cost</b>				
Long term deposits	34,200	6,000	28,700	2,000
<b>Total</b>	<b>34,200</b>	<b>6,000</b>	<b>28,700</b>	<b>2,000</b>

**Accounting policy for investments**

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

**Financial assets**

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

**Classification**

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

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

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

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

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

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

**Fair value through other comprehensive income – equity instruments**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 7(b). Investments (continued)

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#### **Financial assets through profit or loss**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	41,330	6,000	35,052	2,000
<b>attributable to:</b>				
External restrictions	4,563	6,000	1,493	2,000
Internal restrictions	15,726	–	14,543	–
Unrestricted	21,041	–	19,016	–
	41,330	6,000	35,052	2,000

\$ '000	2020	2019
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#### Details of restrictions

##### External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	172	–
<b>External restrictions – included in liabilities</b>	<b>172</b>	<b>–</b>

##### External restrictions – other

Developer contributions – general	149	126
Developer contributions – sewer fund	101	95
Specific purpose unexpended grants (recognised as revenue) – general fund	4,954	2,832
Sewerage services	5,187	440
<b>External restrictions – other</b>	<b>10,391</b>	<b>3,493</b>

##### Total external restrictions

	10,563	3,493
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##### Internal restrictions

Plant and vehicle replacement	1,325	1,140
Infrastructure replacement	12,475	11,523
Employees leave entitlement	1,513	1,513
Carry over works	76	28
Land development	337	339
<b>Total internal restrictions</b>	<b>15,726</b>	<b>14,543</b>

##### TOTAL RESTRICTIONS

	26,289	18,036
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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	745	210	538	189
Interest and extra charges	113	–	106	–
User charges and fees	755	–	328	–
Accrued revenues				
– Interest on investments	–	–	279	–
Net GST receivable	87	–	195	–
Other debtors	–	–	10	–
<b>Total</b>	<b>1,700</b>	<b>210</b>	<b>1,456</b>	<b>189</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(57)	–	(57)	–
User charges and fees	(15)	–	(15)	–
<b>Total provision for impairment – receivables</b>	<b>(72)</b>	<b>–</b>	<b>(72)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>1,628</u></b>	<b><u>210</u></b>	<b><u>1,384</u></b>	<b><u>189</u></b>
<b>Externally restricted receivables</b>				
<b>Sewerage services</b>				
– Other	243	–	190	–
<b>Total external restrictions</b>	<b>243</b>	<b>–</b>	<b>190</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>1,385</b>	<b>210</b>	<b>1,194</b>	<b>189</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>1,628</u></b>	<b><u>210</u></b>	<b><u>1,384</u></b>	<b><u>189</u></b>
<b>Movement in provision for impairment of receivables</b>				
Balance at the beginning of the year			72	72
<b>Balance at the end of the year</b>			<b>72</b>	<b>72</b>

\$ '000

2020

2019

#### Movement in provision for impairment of receivables

Balance at the beginning of the year

72

72

Balance at the end of the year

72

72

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

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

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

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

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

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

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

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

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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

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

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	763	–	256	–
Stores and materials	563	–	598	–
<b>Total inventories at cost</b>	<b>1,326</b>	<b>–</b>	<b>854</b>	<b>–</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>1,326</u></b>	<b><u>–</u></b>	<b><u>854</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>				
Other	–	198	–	198
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>–</u></b>	<b><u>198</u></b>	<b><u>–</u></b>	<b><u>198</u></b>
<hr/>				
\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Total unrestricted assets</b>	<b>1,326</b>	<b>198</b>	<b>854</b>	<b>198</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>1,326</b>	<b>198</b>	<b>854</b>	<b>198</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Inventories and other assets (continued)

## (i) Other disclosures

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Details for real estate development</b>				
Residential	30	–	30	–
Industrial/commercial	733	–	226	–
<b>Total real estate for resale</b>	<b>763</b>	<b>–</b>	<b>256</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	763	–	64	–
Development costs	–	–	192	–
<b>Total costs</b>	<b>763</b>	<b>–</b>	<b>256</b>	<b>–</b>
<b>Total real estate for resale</b>	<b>763</b>	<b>–</b>	<b>256</b>	<b>–</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	256	–	329	–
– Purchases and other costs	507	–	(73)	–
<b>Total real estate for resale</b>	<b>763</b>	<b>–</b>	<b>256</b>	<b>–</b>

## (b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

\$ '000	2020	2019
Real estate for resale	–	51
	–	51

## 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.

**Land held for resale/capitalisation of borrowing costs**

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

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

## Notes to the Financial Statements for the year ended 30 June 2020

### Note 10. Infrastructure, property, plant and equipment

\$ '000	as at 30/06/19			Asset movements during the reporting period										as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Asset Remediation	Tfrs from/(to) investment properties	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	447	–	447	356	–	–	–	–	(447)	–	–	–	–	356	–	356
Plant and equipment	20,045	(10,246)	9,799	–	1,494	–	(628)	(869)	–	–	–	–	–	20,252	(10,456)	9,796
Office equipment	1,899	(1,190)	709	17	–	–	(10)	(147)	–	–	–	–	–	1,905	(1,336)	569
Furniture and fittings	152	(130)	22	–	–	–	–	(6)	–	–	–	–	–	152	(136)	16
<b>Land:</b>																
– Operational land	1,708	–	1,708	–	–	–	–	–	–	(811)	–	(352)	900	1,445	–	1,445
– Community land	2,631	–	2,631	–	–	–	–	–	–	811	–	–	6,456	9,898	–	9,898
Land improvements – non-depreciable	1,013	–	1,013	–	–	–	–	–	–	(1,013)	–	–	–	–	–	–
Land improvements – depreciable	1,576	(860)	716	–	–	–	–	(52)	–	1,013	–	–	–	2,589	(912)	1,677
<b>Infrastructure:</b>																
– Buildings – non-specialised	40,021	(13,516)	26,505	–	46	–	–	(818)	200	–	–	(304)	–	39,963	(14,333)	25,630
– Other structures	5,591	(2,252)	3,339	42	–	–	–	(105)	–	–	–	–	–	5,632	(2,356)	3,276
– Roads	179,376	(70,901)	108,475	2,762	–	7,164	(858)	(4,347)	–	–	–	(231)	17,886	204,492	(73,641)	130,851
– Bridges	18,429	(4,020)	14,409	–	–	–	–	(330)	–	–	–	–	–	18,429	(4,350)	14,079
– Footpaths	9,180	(3,825)	5,355	8	–	–	–	(171)	–	–	–	–	–	9,188	(3,996)	5,192
– Bulk earthworks (non-depreciable)	76,626	–	76,626	–	–	–	–	–	–	–	–	–	–	76,626	–	76,626
– Stormwater drainage	32,124	(9,508)	22,616	–	–	–	–	(327)	–	–	–	–	–	32,125	(9,836)	22,289
– Sewerage network	23,454	(8,621)	14,833	215	–	–	–	(297)	–	–	–	–	140	23,893	(9,002)	14,891
– Swimming pools	5,378	(1,503)	3,875	–	–	–	–	(108)	–	–	–	–	–	5,378	(1,611)	3,767
– Other open space/recreational assets	31,819	(13,509)	18,310	709	–	–	(3)	(757)	247	–	–	–	–	32,648	(14,259)	18,389
– Other infrastructure	16,596	(8,432)	8,164	37	–	–	–	(312)	–	–	–	–	–	16,634	(8,745)	7,889
<b>Other assets:</b>																
– Library books	517	(411)	106	–	–	–	–	–	–	–	–	–	–	517	(411)	106
<b>Reinstatement, rehabilitation and restoration assets (refer Note 12):</b>																
– Tip assets	–	–	–	–	–	–	–	–	–	(1,341)	1,621	–	–	280	–	280
– Gravel pits	2,030	(1,450)	580	–	–	–	–	(11)	–	1,341	(1,910)	–	–	1,461	(1,461)	–
– Sewer treatment facilities	107	(52)	55	–	–	–	–	(2)	–	–	(40)	–	–	67	(54)	13
<b>Total Infrastructure, property, plant and equipment</b>	<b>470,719</b>	<b>(150,426)</b>	<b>320,293</b>	<b>4,146</b>	<b>1,540</b>	<b>7,164</b>	<b>(1,499)</b>	<b>(8,659)</b>	<b>–</b>	<b>–</b>	<b>(329)</b>	<b>(887)</b>	<b>25,382</b>	<b>503,930</b>	<b>(156,895)</b>	<b>347,035</b>

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

## Notes to the Financial Statements for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period									as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>(1)</sup>	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>															
Capital work in progress	1,181	–	1,181	–	361	–	–	–	–	(1,095)	–	–	447	–	447
Plant and equipment	19,899	(9,999)	9,900	–	1,480	–	(548)	(1,032)	–	(1)	–	–	20,045	(10,246)	9,799
Office equipment	1,675	(1,062)	613	–	224	–	–	(128)	–	–	–	–	1,899	(1,190)	709
Furniture and fittings	152	(130)	22	–	–	–	–	(1)	–	1	–	–	152	(130)	22
<b>Land:</b>															
– Operational land	1,708	–	1,708	–	–	–	–	–	–	–	–	–	1,708	–	1,708
– Community land	2,631	–	2,631	–	–	–	–	–	–	–	–	–	2,631	–	2,631
Land improvements – non-depreciable	1,013	–	1,013	–	–	–	–	–	–	–	–	–	1,013	–	1,013
Land improvements – depreciable	1,576	(808)	768	–	–	–	–	(52)	–	–	–	–	1,576	(860)	716
<b>Infrastructure:</b>															
– Buildings – non-specialised	39,928	(12,702)	27,226	3	456	–	(1)	(814)	–	2	(212)	–	40,021	(13,516)	26,505
– Other structures	5,586	(2,148)	3,438	–	5	–	–	(104)	–	–	–	–	5,591	(2,252)	3,339
– Roads	177,025	(60,593)	116,432	2,524	–	7,553	(808)	(4,338)	(13,921)	1,033	–	–	179,376	(70,901)	108,475
– Bridges	18,429	(3,690)	14,739	–	–	–	–	(330)	–	–	–	–	18,429	(4,020)	14,409
– Footpaths	9,201	(3,663)	5,538	–	–	–	(12)	(171)	–	–	–	–	9,180	(3,825)	5,355
– Bulk earthworks (non-depreciable)	76,626	–	76,626	–	–	–	–	–	–	–	–	–	76,626	–	76,626
– Stormwater drainage	32,124	(9,182)	22,942	–	–	–	–	(327)	–	1	–	–	32,124	(9,508)	22,616
– Sewerage network	23,085	(8,204)	14,881	–	–	–	–	(282)	–	–	–	234	23,454	(8,621)	14,833
– Swimming pools	5,085	(1,399)	3,686	267	–	–	–	(104)	–	26	–	–	5,378	(1,503)	3,875
– Other open space/recreational assets	31,068	(12,790)	18,278	–	918	–	–	(718)	–	34	–	–	31,819	(13,509)	18,310
– Other infrastructure	16,542	(8,121)	8,421	–	54	–	–	(311)	–	–	–	–	16,596	(8,432)	8,164
<b>Other assets:</b>															
– Library books	517	(385)	132	–	–	–	–	(25)	–	(1)	–	–	517	(411)	106
<b>Reinstatement, rehabilitation and restoration assets (refer Note 12):</b>															
– Tip assets	3	(1)	2	–	–	–	–	–	–	–	–	–	–	–	–
– Gravel pits	2,030	(1,353)	677	–	–	–	–	(97)	–	–	–	–	2,030	(1,450)	580
– Sewer treatment facilities	107	(50)	57	–	–	–	–	(2)	–	–	–	–	107	(52)	55
<b>Total Infrastructure, property, plant and equipment</b>	<b>467,191</b>	<b>(136,280)</b>	<b>330,911</b>	<b>2,794</b>	<b>3,498</b>	<b>7,553</b>	<b>(1,369)</b>	<b>(8,836)</b>	<b>(13,921)</b>	<b>–</b>	<b>(212)</b>	<b>234</b>	<b>470,719</b>	<b>(150,426)</b>	<b>320,293</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

**Accounting policy for infrastructure, property, plant and equipment**

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

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

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

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

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

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

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

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

**Land under roads**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### **Crown reserves**

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

#### **Rural Fire Service assets**

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to recognise rural fire service assets including land, buildings, plant and vehicles.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Investment properties

\$ '000	2020	2019
<b>Owned investment property</b>		
Investment property on hand at fair value	1,254	366
<b>Total owned investment property</b>	<b>1,254</b>	<b>366</b>

## (a) Reconciliation – owned investment property

**Reconciliation of annual movement:**

<b>Opening balance</b>	366	–
– Acquisitions	–	366
– Transfers from/(to) owner occupied (Note 10)	888	–
<b>CLOSING BALANCE – OWNED INVESTMENT PROPERTY</b>	<b>1,254</b>	<b>366</b>

## (b) Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

\$ '000	2020	2019
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## (c) Leasing arrangements – Council as lessor (2019 only)

The investment properties are leased to tenants for a period of 12 months from 28/02/2019 to 27/02/2020 with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	–	12
<b>Total minimum lease payments receivable</b>	<b>–</b>	<b>12</b>

Council have leased the property from 28/02/2019 to 27/02/2020 with rental payments made monthly.

## (d) Investment property income and expenditure – summary (2019 only)

**Rental income from investment property:**

– Minimum lease payments	–	7
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**Direct operating expenses on investment property:**

– that generated rental income	–	(1)
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<b>Net revenue contribution from investment property</b>	<b>–</b>	<b>6</b>
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<b>Total income attributable to investment property</b>	<b>–</b>	<b>6</b>
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**Accounting policy for investment property**

Council's sole investment property is held for 12 months and is not occupied by the Council.

## Note 12. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Contract assets and liabilities (continued)

\$ '000	Notes	2020 Current	2020 Non-current
<b>Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	172	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	–	–
<b>Total grants received in advance</b>		<b>172</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>172</b>	<b>–</b>

**Notes**

(i) Council has received funding to construct assets including sporting facilities, and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

\$ '000	2020 Current	2020 Non-current
<b>Externally restricted assets</b>		
Water	–	–
Sewer	–	–
Unspent grants held as contract liabilities (excl. Water & Sewer)	172	–
Other (enter details...)	–	–
<b>Contract liabilities relating to externally restricted assets</b>	<b>172</b>	<b>–</b>
<b>Internally restricted assets</b>		
Other (enter details...)	–	–
Other (enter details...)	–	–
<b>Contract liabilities relating to internally restricted assets</b>	<b>–</b>	<b>–</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>172</b>	<b>–</b>
<b>Total contract liabilities relating to unrestricted assets</b>	<b>–</b>	<b>–</b>
<b>Total contract liabilities</b>	<b>172</b>	<b>–</b>

\$ '000	2020
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	172
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>172</b>

**Significant changes in contract assets and liabilities**

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Contract assets and liabilities (continued)

**Accounting policy for contract assets and liabilities**

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

## Note 13. Leases

\$ '000	2020
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**(a) Income Statement**

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

Variable lease payments based on usage not included in the measurement of lease liabilities	2
Expenses relating to low-value leases	73
	<b>75</b>

**(b) Statement of Cash Flows**

Total cash outflow for leases	75
	<b>75</b>

**Leases at significantly below market value – concessionary / peppercorn leases**

Council has a number of leases at significantly below market for land and buildings which are used for:

- Car Parks
- Barmedman Community Centre Land
- Children's Services Centre

The leases have varying terms and require payments of less than \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

**Accounting policy****Accounting policies under AASB 16 – applicable from 1 July 2019**

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Leases (continued)

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

#### **Exceptions to lease accounting**

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **Leases at significantly below market value / concessionary leases**

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

#### **Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)**

Refer to Note 5c and Note 16.

#### **(c) Operating leases**

Council leases out a number of properties for staff housing, health services, emergency services, car parks and community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below:

\$ '000	2020
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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases (continued)

\$ '000	2020
<b>(i) Operating lease income</b>	
<b>Investment properties</b>	
Lease income (excluding variable lease payments not dependent on an index or rate)	23
Lease income relating to variable lease payments not dependent on an index or a rate	25
<b>Other lease income</b>	
Other	17
Staff Housing	75
<b>Total income relating to operating leases</b>	<b>140</b>
<b>(iv) Maturity analysis of contractual lease income</b>	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	47
1–2 years	47
2–3 years	42
3–4 years	42
4–5 years	22
> 5 years	22
<b>Total undiscounted contractual lease income receivable</b>	<b>222</b>

**Accounting policy**

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	306	–	567	–
Accrued expenses:				
Security bonds, deposits and retentions	3	–	5	–
Other	36	39	36	39
Prepaid rates	593	–	–	–
<b>Total payables</b>	<b>938</b>	<b>39</b>	<b>608</b>	<b>39</b>
<b>Income received in advance (2019 only)</b>				
Payments received in advance	–	–	413	–
<b>Total income received in advance</b>	<b>–</b>	<b>–</b>	<b>413</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	93	925	93	1,000
<b>Total borrowings</b>	<b>93</b>	<b>925</b>	<b>93</b>	<b>1,000</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>1,031</u></b>	<b><u>964</u></b>	<b><u>1,114</u></b>	<b><u>1,039</u></b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Sewer	–	7	–	7
Payables and borrowings relating to externally restricted assets	–	7	–	7
<b>Total payables and borrowings relating to restricted assets</b>	<b>–</b>	<b>7</b>	<b>–</b>	<b>7</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>1,031</b>	<b>957</b>	<b>1,114</b>	<b>1,032</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>1,031</u></b>	<b><u>964</u></b>	<b><u>1,114</u></b>	<b><u>1,039</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings (continued)

**(b) Changes in liabilities arising from financing activities**

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	1,093	(75)	–	–	–	–	1,018
<b>TOTAL</b>	<b>1,093</b>	<b>(75)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,018</b>

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	1,200	(107)	–	–	–	1,093
Other	47	(47)	–	–	–	–
<b>TOTAL</b>	<b>1,247</b>	<b>(154)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,093</b>

\$ '000	2020	2019
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**(c) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities <sup>1</sup>	350	350
Credit cards/purchase cards	61	61
<b>Total financing arrangements</b>	<b>411</b>	<b>411</b>

**Undrawn facilities as at balance date:**

– Bank overdraft facilities	350	350
– Credit cards/purchase cards	61	61
<b>Total undrawn financing arrangements</b>	<b>411</b>	<b>411</b>

**Additional financing arrangements information****Breaches and defaults**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Payables and borrowings (continued)

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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.

#### **Payables**

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

#### **Borrowings**

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

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

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

#### **Finance leases (2019 only)**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	733	–	970	–
Long service leave	1,988	2	2,100	32
Other leave	8	–	13	–
<b>Sub-total – aggregate employee benefits</b>	<u>2,729</u>	<u>2</u>	<u>3,083</u>	<u>32</u>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	4,383	–	4,671
<b>Sub-total – asset remediation/restoration</b>	<u>–</u>	<u>4,383</u>	<u>–</u>	<u>4,671</u>
<b><u>TOTAL PROVISIONS</u></b>	<u>2,729</u>	<u>4,385</u>	<u>3,083</u>	<u>4,703</u>

#### (a) Provisions relating to restricted assets

##### Externally restricted assets

Sewer	181	–	181	–
Provisions relating to externally restricted assets	181	–	181	–
<b>Total provisions relating to restricted assets</b>	<u>181</u>	<u>–</u>	<u>181</u>	<u>–</u>
<b>Total provisions relating to unrestricted assets</b>	<u>2,548</u>	<u>4,385</u>	<u>2,902</u>	<u>4,703</u>
<b><u>TOTAL PROVISIONS</u></b>	<u>2,729</u>	<u>4,385</u>	<u>3,083</u>	<u>4,703</u>

\$ '000	2020	2019
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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	1,739	1,864
	<u>1,739</u>	<u>1,864</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Provisions (continued)

## (c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
<b>2020</b>				
At beginning of year	970	2,132	13	3,115
Unwinding of discount	(237)	(142)	(5)	(384)
Total ELE provisions at end of year	733	1,990	8	2,731
<b>2019</b>				
At beginning of year	883	2,091	13	2,987
Unwinding of discount	87	41	–	128
Total ELE provisions at end of year	970	2,132	13	3,115

\$ '000	Other provisions		Total
	Asset remediation		
<b>2020</b>			
At beginning of year		4,671	4,671
Revised costs recognised as remediation assets in IPP&E		(328)	(328)
Unwinding of discount		40	40
Total other provisions at end of year		4,383	4,383
<b>2019</b>			
At beginning of year		4,431	4,431
Other		240	240
Total other provisions at end of year		4,671	4,671

## Nature and purpose of non-employee benefit provisions

## Asset remediation

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

## Accounting policy for provisions

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

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

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

## Employee benefits

## Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

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when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

#### Other long-term employee benefit obligations

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

#### On-costs

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

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

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

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

##### Restoration

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

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

##### Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate. Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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

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

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

##### **Fair value through other comprehensive income reserve (FVOCI)**

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

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

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

#### **Adjustments to the current year figures for the year ended 30 June 2020**

##### **Statement of Financial Position**

#### (ii) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

##### **Transfer of control to a customer – over time or at a point in time**

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

##### **Principal v agent**

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the "commission" to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

##### **Licences**

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****Prepaid rates**

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

**Grants – operating**

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

**Grants – capital**

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

**Changes in presentation**

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- Additional line item for contract liabilities has been created.

\$ '000	Balance at 1 July 2019
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract liabilities</b>	
– Under AASB 15	2,014
– Under AASB 1058	818
<b>Total Contract liabilities</b>	<u>2,832</u>

**Comparison of financial statement line items under AASB 15 compared to previous standards for the current year**

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

**Statement of Financial Position**

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	7,130	–	–	7,130	
Investments	34,200	–	–	34,200	
Receivables	1,628	–	–	1,628	
Inventories	1,326	–	–	1,326	
<b>Total current assets</b>	<u>44,284</u>	<u>–</u>	<u>–</u>	<u>44,284</u>	
<b>Current liabilities</b>					

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Payables	938	–	–	938	
Contract liabilities	172	–	–	172	
Borrowings	93	–	–	93	
Provisions	2,729	–	–	2,729	
<b>Total current liabilities</b>	<b>3,932</b>	<b>–</b>	<b>–</b>	<b>3,932</b>	
<b>Non-current assets</b>					
Investments	6,000	–	–	6,000	
Receivables	210	–	–	210	
Infrastructure, property, plant and equipment	347,035	–	–	347,035	
Investment property	1,254	–	–	1,254	
Other	198	–	–	198	
<b>Total non-current assets</b>	<b>354,697</b>	<b>–</b>	<b>–</b>	<b>354,697</b>	
<b>Non-current liabilities</b>					
Payables	39	–	–	39	
Borrowings	925	–	–	925	
Provisions	4,385	–	–	4,385	
<b>Total Non-current liabilities</b>	<b>5,349</b>	<b>–</b>	<b>–</b>	<b>5,349</b>	
<b>Net assets</b>	<b>389,700</b>	<b>–</b>	<b>–</b>	<b>389,700</b>	
<b>Equity</b>					
Accumulated surplus	157,793	–	2,832	160,625	
Revaluation reserves	231,907	–	–	231,907	
<b>Council equity interest</b>	<b>389,700</b>	<b>–</b>	<b>2,832</b>	<b>392,532</b>	
<b>Total equity</b>	<b>389,700</b>	<b>–</b>	<b>2,832</b>	<b>392,532</b>	

Funds under AASB 15 and AASB 1058 which have been received prior to the satisfaction of the performance obligation.

## Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	9,356	–	–	9,356	
User charges and fees	2,122	–	–	2,122	
Other revenues	1,113	–	–	1,113	

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Grants and contributions provided for operating purposes	13,764	–	1,842	15,606	
Grants and contributions provided for capital purposes	13,787	–	818	14,605	
Interest and investment income	472	–	–	472	
Rental income	140	–	–	140	
<b>Total Income from continuing operations</b>	<b>40,754</b>	<b>–</b>	<b>2,660</b>	<b>43,414</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	6,393	–	–	6,393	
Borrowing costs	79	–	–	79	
Materials and contracts	5,571	–	–	5,571	
Depreciation and amortisation	8,659	–	–	8,659	
Other expenses	2,501	–	–	2,501	
Net losses from the disposal of assets	798	–	–	798	
<b>Total Expenses from continuing operations</b>	<b>24,001</b>	<b>–</b>	<b>–</b>	<b>24,001</b>	
<b>Total Operating result from continuing operations</b>	<b>16,753</b>	<b>–</b>	<b>2,660</b>	<b>19,413</b>	
Net operating result for the year	16,753	–	2,660	19,413	
<b>Total comprehensive income</b>	<b>42,135</b>	<b>–</b>	<b>–</b>	<b>42,135</b>	

Difference in revenue between recognition on receipt under the old standards and as/when performance obligations are met under the new standards.

## Adjustments to the current year figures for the year ended 30 June 2020

## Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract liabilities	–	2,832	2,832
<b>Total liabilities</b>	<b>–</b>	<b>2,832</b>	<b>2,832</b>
Accumulated surplus	143,872	(2,832)	141,040
<b>Total equity</b>	<b>–</b>	<b>(2,832)</b>	<b>(2,832)</b>

## (iii) AASB 16 Leases

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****Council as a lessee**

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

**Practical expedients used on transition**

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

**Financial statement impact of adoption of AASB 16**

Council has made no adjustment for leases as at 1 July 2019 as the commitments are for copiers and some computer equipment which are all low value assets.

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	<b>13</b>
<b>Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases</b>	
<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	<b>13</b>
<b>Add:</b>	
Contracts not accounted for as operating lease commitments last year	–
Finance lease liabilities	–
Extension options reasonably certain to be exercised not included in the commitments note	–
Variable lease payments linked to an index	–
Other	–
<b>Less:</b>	
Short-term leases included in commitments note	–
Leases for low-value assets included in commitments note	(13)
Other	–
<b>Lease liabilities recognised at 1 July 2019</b>	<b>–</b>

**Council as a lessor**

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

## Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	-	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
Payables – accrued interest on leases (30/6/2019)	-	-	-
Leases	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accumulated surplus	-	-	-
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	7,130	6,352
<b>Balance as per the Statement of Cash Flows</b>		<b>7,130</b>	<b>6,352</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		16,753	9,320
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		8,659	8,836
Net losses/(gains) on disposal of assets		798	656
Adoption of AASB 15/1058		(2,832)	–
Unwinding of discount rates on reinstatement provisions		40	240
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(265)	(50)
Increase/(decrease) in provision for impairment of receivables		–	(28)
Decrease/(increase) in inventories		35	(223)
Decrease/(increase) in other current assets		–	102
Increase/(decrease) in payables		(261)	(23)
Increase/(decrease) in other accrued expenses payable		–	(83)
Increase/(decrease) in other liabilities		178	110
Increase/(decrease) in contract liabilities		172	–
Increase/(decrease) in provision for employee benefits		(384)	128
Increase/(decrease) in other provisions		(328)	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>22,565</b>	<b>18,985</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Commitments

\$ '000	2020	2019
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## (a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

**Property, plant and equipment**

Buildings	245	90
Other infrastructure	429	401
Other	62	130
<b>Total commitments</b>	<b>736</b>	<b>621</b>

**These expenditures are payable as follows:**

Within the next year	736	621
<b>Total payable</b>	<b>736</b>	<b>621</b>

**Sources for funding of capital commitments:**

Externally restricted reserves	674	310
Internally restricted reserves	62	311
<b>Total sources of funding</b>	<b>736</b>	<b>621</b>

## (b) Non-cancellable operating lease commitments (2019 only)

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

Later than one year and not later than 5 years	–	13
<b>Total non-cancellable operating lease commitments</b>	<b>–</b>	<b>13</b>

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

Refer to Note 13 for information relating to leases for 2020.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Contingencies

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

###### (i) Defined benefit superannuation contribution plans

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

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

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

###### *Description of the funding arrangements.*

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$170,919.64. The last valuation of the Scheme was performed by the Fund Actuary, Mr Richard Boyfield, FIAA as at 30 June 2019.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$55,000. Council's expected contribution to the plan for the next annual reporting period is \$141,197.80.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1.695.2	
Past Service Liabilities	1.773.2	95.6%
Vested Benefits	1.757.5	96.5%

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

Based on a Past Service Liabilities methodology, Council's share of the surplus that can be attributed is 0.25%

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

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

\* Plus promotional increases

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

#### (ii) Statewide Limited

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

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

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

#### (iii) StateCover Limited

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

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

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

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

#### (iv) Other guarantees

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Contingencies (continued)

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#### 2. Other liabilities

##### (i) Third party claims

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

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

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

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

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

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

#### ASSETS NOT RECOGNISED

##### (i) Land under roads

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

##### (ii) Infringement notices/fines

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management

## Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	7,130	6,352	7,132	6,352
Receivables	1,838	1,573	1,838	1,573
Investments				
– 'Financial assets at amortised cost'	40,200	30,700	40,200	30,700
<b>Total financial assets</b>	<b>49,168</b>	<b>38,625</b>	<b>49,170</b>	<b>38,625</b>
<b>Financial liabilities</b>				
Payables	977	647	977	647
Loans/advances	1,018	1,093	1,018	1,093
<b>Total financial liabilities</b>	<b>1,995</b>	<b>1,740</b>	<b>1,995</b>	<b>1,740</b>

Fair value is determined as follows:

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

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

- **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>2020</b>				
Possible impact of a 1% movement in interest rates	387	387	(387)	(387)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	371	371	(371)	(371)



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

**(b) Credit risk**

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

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

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

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

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

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

**Credit risk profile****Receivables – rates and annual charges**

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount	745	112	54	32	12	955
<b>2019</b>						
Gross carrying amount	538	70	53	48	18	727

**Receivables - non-rates and annual charges**

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

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2020</b>						
Gross carrying amount	680	7	114	–	15	816
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	14.81%	0.27%
<b>ECL provision</b>	–	–	–	–	2	2
<b>2019</b>						
Gross carrying amount	614	257	(1)	7	41	918
Expected loss rate (%)	0.00%	0.00%	0.00%	11.86%	11.86%	0.62%
<b>ECL provision</b>	–	–	–	1	5	6

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

## (c) Liquidity risk

Payables, lease liabilities 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 for non-lease liabilities 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>2020</b>							
Trade/other payables	0.00%	3	–	–	–	3	384
Loans and advances	2.19%	–	151	755	112	1,018	1,018
<b>Total financial liabilities</b>		<b>3</b>	<b>151</b>	<b>755</b>	<b>112</b>	<b>1,021</b>	<b>1,402</b>
<b>2019</b>							
Trade/other payables	0.00%	5	–	–	–	5	647
Loans and advances	3.80%	–	151	755	187	1,093	1,093
<b>Total financial liabilities</b>		<b>5</b>	<b>151</b>	<b>755</b>	<b>187</b>	<b>1,098</b>	<b>1,740</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 25/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	9,359	9,356	(3)	0% <b>U</b>
<b>User charges and fees</b>	2,018	2,122	104	5% <b>F</b>
<b>Other revenues</b>	578	1,113	535	93% <b>F</b>
Council sold its shares in Southern Phone Limited for a profit of \$786,000.				
<b>Operating grants and contributions</b>	11,237	13,764	2,527	22% <b>F</b>
<b>Capital grants and contributions</b>	2,102	13,787	11,685	556% <b>F</b>
Council received an unprecedented number of grants and contributions this year. Included in this balance is \$8.7million in flood damage and the additional drought support funding included in the Roads to Recovery program for \$1.8million				
<b>Interest and investment revenue</b>	414	472	58	14% <b>F</b>
Council was mindful of the low interest rates when finalising the budget and anticipated a lower amount for investment interest. With the additional grant funding provided to Council, more funds were deposited into investments which caused the slight variance.				
<b>Rental income</b>	–	140	140	∞ <b>F</b>
Rental income was excluded from the original budget.				

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	6,387	6,393	(6)	0% U
<b>Borrowing costs</b>	51	79	(28)	(55)% U
Borrowing costs were adjusted this year for estimated remediation liabilities, however the revaluations affected the amount.				
<b>Materials and contracts</b>	5,315	5,571	(256)	(5)% U
<b>Depreciation and amortisation</b>	8,405	8,659	(254)	(3)% U
<b>Other expenses</b>	2,068	2,501	(433)	(21)% U
Additional expenses not budgeted for include an increase in contributions to other levels of government, advertising costs for staff recruitment, donations to other organisations and increasing insurance costs.				
<b>Net losses from disposal of assets</b>	-	798	(798)	∞ U
Assets that had not been fully depreciated were removed as part of the asset renewal treatment and therefore the written down value is a loss on disposal.				
<b>STATEMENT OF CASH FLOWS</b>				
<b>Cash flows from operating activities</b>	11,887	22,565	10,678	90% F
Cash flows from operating activities increased due to additional grants being received.				
<b>Cash flows from investing activities</b>	(1,666)	(21,712)	(20,046)	1,203% U
Cash flows from investing activities was higher than budgeted for due to the purchase of additional investments.				
<b>Cash flows from financing activities</b>	-	(75)	(75)	∞ U
This item was excluded from Council's budget.				

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes. AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

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

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

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

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

2020	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>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/2018	–	9,796	–	9,796
Office equipment	30/06/2018	–	569	–	569
Furniture and fittings	30/06/2018	–	16	–	16
Operational land	30/06/2020	–	1,445	–	1,445
Community land	30/06/2020	–	9,898	–	9,898
Land improvement – depreciable	30/06/2018	–	–	1,677	1,677
Buildings	30/06/2018	–	–	25,740	25,740
Other structure	30/06/2018	–	–	3,276	3,276
Roads	30/06/2020	–	–	130,871	130,871
Bridges	30/06/2020	–	–	14,079	14,079
Footpath	30/06/2020	–	–	5,192	5,192
Road – formation	30/06/2020	–	–	76,626	76,626
Stormwater	30/06/2018	–	–	22,289	22,289
Sewer	30/06/2018	–	–	14,891	14,891
Library	30/06/2018	–	–	106	106
Gravel restoration asset	30/06/2020	–	–	–	–
Sewer restoration asset	30/06/2020	–	–	13	13
Tip restoration asset	30/06/2020	–	–	280	280
Open Space/Recreational Assets	30/06/2018	–	–	18,506	18,506
Swimming Pools	30/06/2018	–	–	3,767	3,767
Other Infrastructure	30/06/2018	–	–	7,889	7,889
<b>Total infrastructure, property, plant and equipment</b>		–	<b>21,724</b>	<b>325,202</b>	<b>346,926</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/2018	–	9,812	–	9,812
Office equipment	30/06/2018	–	709	–	709
Furniture and fittings	30/06/2018	–	22	–	22
Operational land	30/06/2018	–	1,708	–	1,708
Community land	30/06/2018	–	2,631	–	2,631
Land improvement – depreciable	30/06/2018	–	–	716	716
Buildings	30/06/2018	–	–	26,505	26,505
Other structure	30/06/2018	–	–	3,339	3,339
Roads	30/06/2018	–	–	108,077	108,077
Bridges	30/06/2018	–	–	14,409	14,409
Footpath	30/06/2018	–	–	5,346	5,346
Road – formation	30/06/2018	–	–	76,626	76,626
Stormwater	30/06/2018	–	–	2,216	2,216
Sewer	30/06/2018	–	–	14,833	14,833
Library	30/06/2018	–	–	106	106
Gravel restoration asset	30/06/2018	–	–	581	581
Sewer restoration asset	30/06/2018	–	–	54	54
Tip restoration asset	30/06/2018	–	–	–	–
Open Space/Recreational Assets	30/06/2018	–	–	18,513	18,513
Swimming Pools	30/06/2018	–	–	3,875	3,875
Other Infrastructure	30/06/2018	–	–	8,164	8,164
<b>Total infrastructure, property, plant and equipment</b>		–	<b>14,882</b>	<b>284,820</b>	<b>299,702</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

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

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

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

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

##### **Plant & Equipment, Office Equipment and Furniture & Fittings**

Level 2 valuation inputs were used to value this asset category.

This asset category includes:

Plant & Equipment - e.g. motor vehicles, trucks, mowers, earthmoving equipment

Office Equipment - e.g. computer equipment

Furniture & Fittings - e.g. chairs, desks, cabinets, display systems

##### **Operational and Community Land**

Level 2 valuation inputs were used to value land. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

##### **Buildings (Residential Properties)**

Residential properties fair value has been derived from sales prices of comparable properties after adjusting for property size. The most significant inputs into this valuation approach are price per square metre.

##### **Land improvements- Depreciable**

Land improvements are valued at current replacement cost. Since there are no active market and the factors cannot be observed these are classified as level 3 input categories. The input factors further discussed in note 23(4) b.

##### **Buildings**

Buildings are valued by external valuers based on level 3 input factors. The unit rates based on square meter supported from market evidence. However the significant inputs are unobservable such as estimated residual value, useful life, pattern of consumption and asset condition.

##### **Other Structure**

Other structures are valued by external valuers based on level 3 input factors. The significant inputs are unobservable such as useful life, pattern of consumption and asset condition.

##### **Roads and Aerodrome (Surface and Pavements)**

Roads and Aerodrome are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

##### **Other Traffic Facilities**

Other Traffic Facilities are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

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#### **Earthwork (Roads and Aerodrome -Formation)**

Earthwork externally valued using Current Replacement cost approach. These were valued based on the cost to build the road at the time of valuation.

#### **Stormwater Assets (Pipes, pits and Kerb and Gutter)**

Stormwater assets are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

#### **Bridges**

Bridges are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

#### **Footpaths**

Footpaths are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

#### **Open Space/Recreational Assets**

Open Space/Recreational Assets are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

#### **Swimming Pools**

Swimming Pools are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

#### **Other Infrastructure**

Other infrastructure are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

#### **Sewer**

Sewer Network Assets are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation. Sewer assets have been indexed in line with the NSW Reference Rates Manual as published by the Office of Water

#### **Restoration Assets**

Restoration Assets were based on the cost at the time of calculation and the discount rate, CPI at the year end to calculate the amortisation cost. So these become part of level 3 input factors.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

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

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

\$ '000	Land improvement non-depreciable	Land improvement depreciable	Buildings	Other structure	Roads
<b>2019</b>					
<b>Opening balance</b>	1,013	768	27,226	3,438	112,984
Transfers from/(to) another asset class	–	–	1	–	–
Purchases (GBV)	–	–	93	5	3,557
Disposals (WDV)	–	–	(1)	–	(808)
Depreciation and impairment	–	(52)	(814)	(104)	(9,673)
<b>Closing balance</b>	<b>1,013</b>	<b>716</b>	<b>26,505</b>	<b>3,339</b>	<b>106,060</b>
<b>2020</b>					
<b>Opening balance</b>	1,013	716	26,505	3,339	106,060
Transfers from/(to) another asset class	(1,013)	1,013	–	–	20,301
Purchases (GBV)	–	–	246	42	9,926
Disposals (WDV)	–	–	–	–	(858)
Depreciation and impairment	–	–	(818)	(105)	(4,347)
<b>Closing balance</b>	<b>–</b>	<b>1,729</b>	<b>25,933</b>	<b>3,276</b>	<b>131,082</b>

\$ '000	Aerodrome	Bridges	Traffic facilities	Footpath	Road-formation (earthwork)
<b>2019</b>					
<b>Opening balance</b>	3,448	14,217	522	5,538	76,625
Transfers from/(to) another asset class	–	–	–	–	1
Disposals (WDV)	–	–	–	(21)	–
Depreciation and impairment	–	–	–	(171)	–
<b>Closing balance</b>	<b>3,448</b>	<b>14,217</b>	<b>522</b>	<b>5,346</b>	<b>76,626</b>
<b>2020</b>					
<b>Opening balance</b>	3,448	14,217	522	5,346	76,626
Transfers from/(to) another asset class	–	192	–	–	–
Purchases (GBV)	–	–	–	17	–
Depreciation and impairment	–	(330)	–	(171)	–
<b>Closing balance</b>	<b>3,448</b>	<b>14,079</b>	<b>522</b>	<b>5,192</b>	<b>76,626</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

\$ '000	Stormwater pipes, pits and drain	Sewer	Library	WIP	Gravel restoration asset
<b>2019</b>					
<b>Opening balance</b>	22,942	14,881	132	1,181	677
Transfers from/(to) another asset class	–	–	–	(1,181)	–
Purchases (GBV)	–	–	–	447	–
Depreciation and impairment	(326)	(48)	(26)	–	(96)
<b>Closing balance</b>	<b>22,616</b>	<b>14,833</b>	<b>106</b>	<b>447</b>	<b>581</b>
<b>2020</b>					
<b>Opening balance</b>	22,616	14,833	106	447	581
Transfers from/(to) another asset class	–	140	–	–	–
Purchases (GBV)	–	215	–	–	–
Depreciation and impairment	(327)	(294)	–	–	(581)
<b>Closing balance</b>	<b>22,289</b>	<b>14,894</b>	<b>106</b>	<b>447</b>	<b>–</b>

\$ '000	Sewer restoration asset	Tip restoration asset	Other infrastructure
<b>2019</b>			
<b>Opening balance</b>	57	2	8,421
Purchases (GBV)	–	–	54
Depreciation and impairment	(3)	(2)	(311)
<b>Closing balance</b>	<b>54</b>	<b>–</b>	<b>8,164</b>
<b>2020</b>			
<b>Opening balance</b>	54	–	8,164
Purchases (GBV)	–	–	37
Depreciation and impairment	(41)	280	(312)
<b>Closing balance</b>	<b>13</b>	<b>280</b>	<b>7,889</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

\$ '000	Recreation asset	Swimming pool	Total
<b>2019</b>			
<b>Opening balance</b>	18,278	3,686	<b>316,036</b>
Transfers from/(to) another asset class	203	–	<b>(976)</b>
Purchases (GBV)	750	294	<b>5,200</b>
Disposals (WDV)	–	–	<b>(830)</b>
Depreciation and impairment	(718)	(105)	<b>(12,449)</b>
<b>Closing balance</b>	<b>18,513</b>	<b>3,875</b>	<b>306,981</b>
<b>2020</b>			
<b>Opening balance</b>	18,513	3,875	<b>306,981</b>
Transfers from/(to) another asset class	(203)	–	<b>20,430</b>
Purchases (GBV)	956	–	<b>11,439</b>
Disposals (WDV)	(3)	–	<b>(861)</b>
Depreciation and impairment	(757)	(108)	<b>(7,911)</b>
<b>Closing balance</b>	<b>18,506</b>	<b>3,767</b>	<b>330,078</b>

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

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Land improvement – non-depreciable	–	Written down current replacement cost	Gross replacement cost Asset condition
Land improvement – depreciable	1,677	Written down current replacement cost	Gross replacement cost Asset condition
Buildings	25,740	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Other structure	3,276	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Roads	130,871	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Bridges	14,079	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Footpath	5,192	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Road – formation	76,626	Current replacement cost	Gross replacement cost
Stormwater	22,289	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Sewer	14,891	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Library	106	Written down current replacement cost	Gross replacement cost Useful life
Work in progress	356	Current replacement cost	Gross replacement cost
Gravel restoration asset	–	Written down current replacement cost	Restoration cost – historic Discount rate
Sewer restoration asset	13	Gross replacement cost	Restoration cost – historic Discount rate
Tip restoration asset	180	Written down current replacement cost	Restoration cost – historic Discount rate
Other Infrastructure	7,889	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Recreational Assets	18,506	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Swimming Pools	3,767	Written down current replacement cost	Gross replacement cost Asset condition Useful life

## (4) Highest and best use

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Related party disclosures

## (a) Key management personnel

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

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

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	647	697
<b>Total</b>	<b>647</b>	<b>697</b>

## (b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
<b>2020</b>						
Employee expenses relating to close family of KMP	1	92	–	Council Staff award	–	–
<b>2019</b>						
Employee expenses relating to close family of KMP	1	87	–	Council Staff award	–	–

1 Employee was employed by Council under the relevant pay award on an arms length basis

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 24. Events occurring after the reporting date

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

## Note 25. Statement of developer contributions

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

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

## Summary of contributions and levies

	as at 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>\$ '000</b>								
Drainage	3	–	–	–	–	–	3	–
Roads	3	–	–	–	–	–	3	–
Parking	7	–	–	–	–	–	7	–
Open space	1	–	–	–	–	–	1	–
Community facilities	109	24	–	–	–	–	133	–
Other	3	–	–	–	–	–	3	–
<b>S7.11 contributions – under a plan</b>	<b>126</b>	<b>24</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>150</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>126</b>	<b>24</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>150</b>	<b>–</b>
S64 contributions	95	5	–	–	–	–	100	–
<b>Total contributions</b>	<b>221</b>	<b>29</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>250</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
<b>S7.11 Contributions – under a plan</b>								
<b>CONTRIBUTION PLAN</b>								
Drainage	3	–	–	–	–	–	3	–
Roads	3	–	–	–	–	–	3	–
Parking	7	–	–	–	–	–	7	–
Open space	1	–	–	–	–	–	1	–
Community facilities	109	24	–	–	–	–	133	–
Other	3	–	–	–	–	–	3	–
<b>Total</b>	<b>126</b>	<b>24</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>150</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26. Result by fund

\$ '000	General <sup>1</sup> 2020	Sewer 2020
<b>Income Statement by fund</b>		
<b>Income from continuing operations</b>		
Rates and annual charges	7,780	1,576
User charges and fees	2,087	35
Interest and investment revenue	460	12
Other revenues	1,113	–
Grants and contributions provided for operating purposes	13,761	3
Grants and contributions provided for capital purposes	13,787	–
Rental income	140	–
<b>Total income from continuing operations</b>	<b>39,128</b>	<b>1,626</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	6,271	122
Borrowing costs	79	–
Materials and contracts	4,566	1,005
Depreciation and amortisation	8,350	309
Other expenses	2,501	–
Net losses from the disposal of assets	798	–
<b>Total expenses from continuing operations</b>	<b>22,565</b>	<b>1,436</b>
<b>Operating result from continuing operations</b>	<b>16,563</b>	<b>190</b>
<b>Net operating result for the year</b>	<b>16,563</b>	<b>190</b>
<b>Net operating result attributable to each council fund</b>	<b>16,563</b>	<b>190</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>2,776</b>	<b>190</b>

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Result by fund (continued)

\$ '000	General <sup>1</sup> 2020	Sewer 2020
<b>Statement of Financial Position by fund</b>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,150	3,980
Investments	32,892	1,308
Receivables	1,385	243
Inventories	1,326	–
<b>Total current assets</b>	<b>38,753</b>	<b>5,531</b>
<b>Non-current assets</b>		
Investments	6,000	–
Receivables	210	–
Infrastructure, property, plant and equipment	331,623	15,412
Investment property	1,254	–
Other	198	–
<b>Total non-current assets</b>	<b>339,285</b>	<b>15,412</b>
<b>TOTAL ASSETS</b>	<b>378,038</b>	<b>20,943</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	938	–
Contract liabilities	172	–
Borrowings	93	–
Provisions	2,729	–
<b>Total current liabilities</b>	<b>3,932</b>	<b>–</b>
<b>Non-current liabilities</b>		
Payables	32	7
Borrowings	925	–
Provisions	4,204	181
<b>Total non-current liabilities</b>	<b>5,161</b>	<b>188</b>
<b>TOTAL LIABILITIES</b>	<b>9,093</b>	<b>188</b>
<b>Net assets</b>	<b>368,945</b>	<b>20,755</b>
<b>EQUITY</b>		
Accumulated surplus	143,456	14,337
Revaluation reserves	225,489	6,418
<b>Council equity interest</b>	<b>368,945</b>	<b>20,755</b>
<b>Total equity</b>	<b>368,945</b>	<b>20,755</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27(a). Statement of performance measures – consolidated results

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	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>3,764</b>	<b>13.96%</b>	6.64%	(1.05)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>26,967</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>13,203</b>	<b>32.40%</b>	39.42%	44.71%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>40,754</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>39,478</b>	<b>21.46x</b>	16.52x	14.30x	>1.50x
Current liabilities less specific purpose liabilities	<b>1,840</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>12,502</b>	<b>81.18x</b>	24.16x	16.24x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>154</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>1,011</b>	<b>9.94%</b>	7.97%	6.93%	<10.00%
Rates, annual and extra charges collectible	<b>10,171</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>47,330</b>	<b>36.60</b>	28.43	25.72	>3.00
Monthly payments from cash flow of operating and financing activities	<b>1,293</b>	<b>mths</b>	mths	mths	mths

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Sewer Indicators		Benchmark
	2020	2019	2020	2019	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>14.10%</b>	6.61%	<b>11.69%</b>	7.15%	>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>29.60%</b>	36.56%	<b>99.82%</b>	100.00%	>60.00%
Total continuing operating revenue <sup>1</sup>					
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>21.46x</b>	16.52x	∞	∞	>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>	<b>77.94x</b>	23.21x	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>11.76%</b>	9.42%	<b>0.00%</b>	0.00%	<10.00%
Rates, annual and extra charges collectible					
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>33.52</b>	25.64	∞	∞	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths			mths

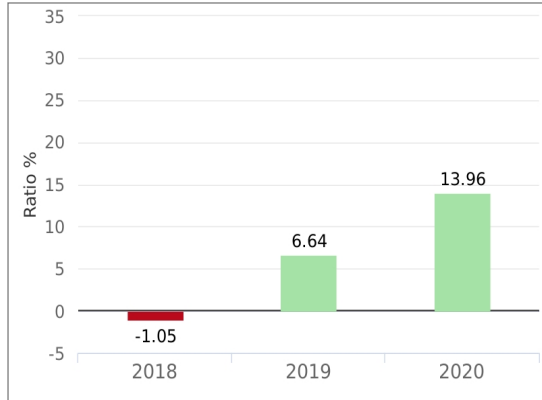
(1) - (2) Refer to Notes at Note 24a above.

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

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 27(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 2019/20 result**

2019/20 ratio 13.96%

Council's operating performance ratio has again met the benchmark for all funds.

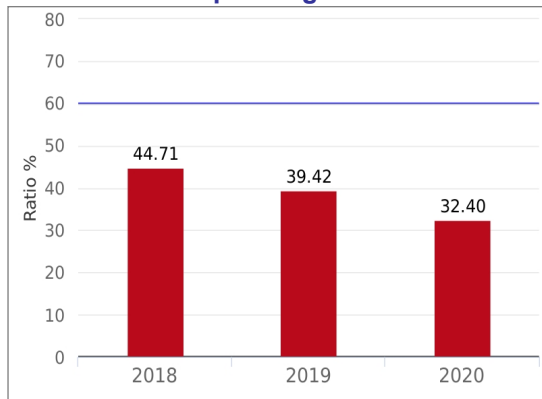
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result**

2019/20 ratio 32.40%

Own source revenue is consistent with previous year's results. The majority of Council's revenue is grant based, with the flood damage program and other additional grants this year impacting the own source revenue ratio.

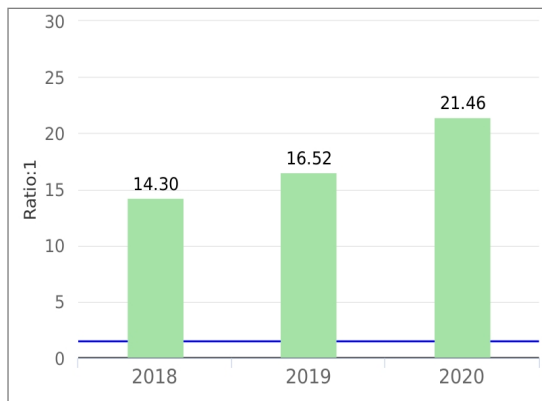
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result**

2019/20 ratio 21.46x

Council's ratio remains well above the benchmark with more than adequate funds to satisfy its short term obligations.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

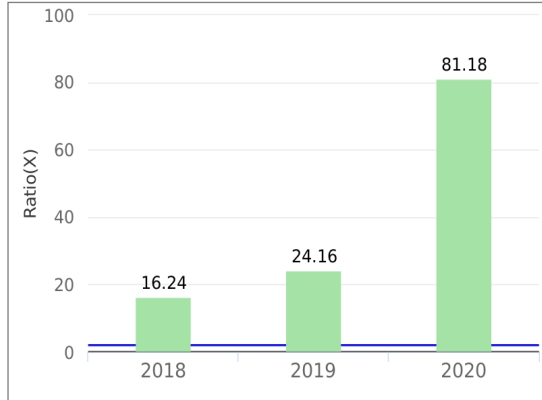
Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 27(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 2019/20 result

2019/20 ratio 81.18x

Council is in a strong position to meet our obligations with loan and minor lease payments.

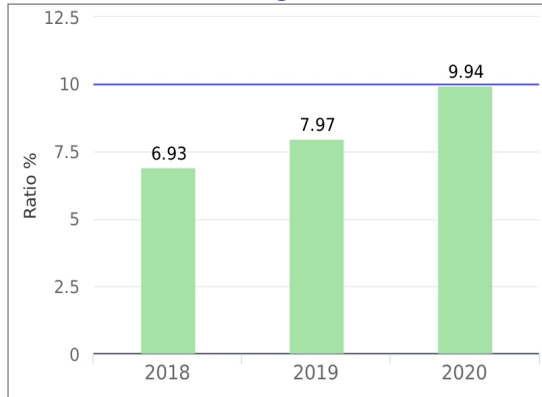
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 9.94%

Council's outstanding rates and charges has increased slightly during the year due to the impact of the recent drought events and COVID-19, however it is still within the benchmark for rural councils.

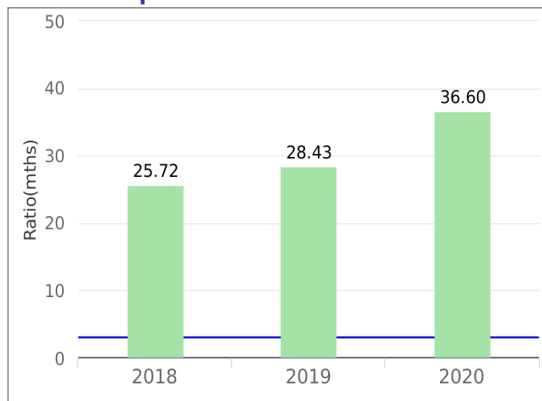
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 36.60 mths

Efficient financial management practices have enabled Council to operate effectively in meeting its expense obligations.

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

# Bland Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 28. Council information and contact details

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**Principal place of business:**

6-10 Shire Street  
West Wyalong NSW 2671

**Contact details****Mailing Address:**

PO Box 21  
West Wyalong NSW 2671

**Telephone:** (02) 6972 2266

**Facsimile:** (02) 6972 2145

**Opening hours:**

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

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

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

**Officers****General Manager**

Raymond Smith

**Responsible Accounting Officer**

Leesa Bryant

**Auditors**

NSW Audit Office  
Level 15  
Margaret Street  
Sydney NSW 2001

GPO Box 12  
Sydney NSW 2001

**Elected members****Mayor**

Brian Monaghan

**Councillors**

Liz McGlynn  
Bruce Baker  
Rodney Crowe  
Penny English  
Kerry Keatley  
Tony Lord  
Murray Thomas  
Jan Wyse

**Other information**

**ABN:** 13 251 814 087



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

To the Councillors of Bland Shire Council

## Opinion

I have audited the accompanying financial statements of Bland Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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 prepared, 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 2020, 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 (including Independence Standards)' (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 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Statements**

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

### **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.

The scope of my audit does not include, nor 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 21 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.



Chariee Bultitude  
Delegate of the Auditor-General for New South Wales

17 November 2020  
SYDNEY



Cr Brian Monaghan  
Mayor  
Bland Shire Council  
PO Box 21  
WEST WYALONG NSW 2671

Contact: Chariee Bultitude  
Phone no: (02) 9275 7104  
Our ref: D2027079/1694

17 November 2020

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2020  
Bland Shire Council**

I have audited the general purpose financial statements (GPFS) of the Bland Shire Council (the Council) for the year ended 30 June 2020 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 2020 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

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	9.36	9.05	↑ 3.43
Grants and contributions revenue	27.55	20.86	↑ 32.07
Operating result from continuing operations	16.75	9.32	↑ 79.72
Net operating result before capital grants and contributions	2.97	1.08	↑ 175.0

The Council's operating result from continuing operations (\$16.75 million including depreciation and amortisation expense of \$8.66 million) was \$7.43 million higher than the 2018–19 result. This is primarily due to an additional \$6.69 million of operating and capital grants received during the year.

The net operating result before capital grants and contributions (\$2.97 million) was \$1.89 million higher than the 2018–19 result. This is primarily due to a \$0.81 million decrease in materials and contracts expense and \$0.36 million decrease in employee benefits and on-costs expense.

Rates and annual charges revenue (\$9.36 million) increased by \$0.31 million (3.36 per cent) in 2019-20 due to:

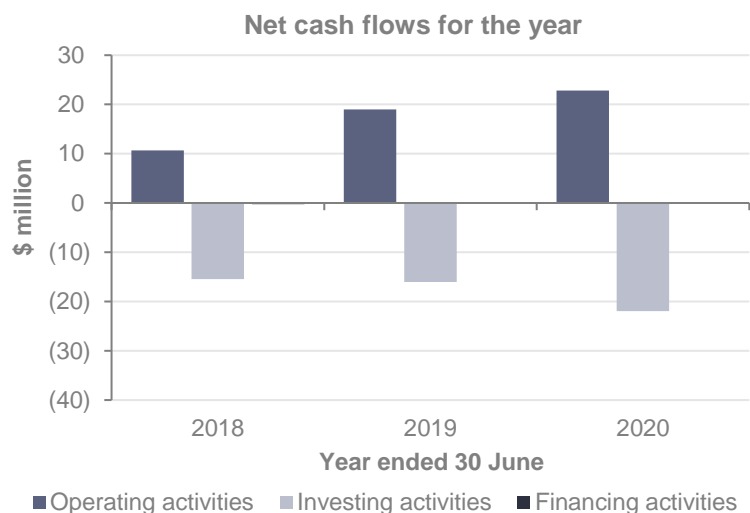
- the IPART rate peg, which increased general rates revenue by 2.7 per cent in 2019-20; and
- a 0.3 per cent increase in the number of assessments issued in 2019-20.

Grants and contributions revenue (\$27.55 million) increased by \$6.69 million (32.07 per cent) in 2019-20 due to:

- \$4.1 million of 2019–20 financial assistance grants received in 2018–19
- \$0.86 million of additional roads to recovery funding received in 2019-20; and
- \$2.92 million of additional other roads and bridges funding received in 2019-20.

## STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$7.13 million (\$6.35 million for the year ended 30 June 2019). There was a net increase in cash and cash equivalents of \$0.78 million at 30 June 2020.
- Net cash provided by operating activities has increased by \$3.58 million. This is primarily due to increased receipts of grants and contributions of \$4.0 million.
- Net cash used in investing activities has increased by \$5.68 million. This is primarily due to increased purchases of investments of \$6.53 million, which is partially offset by decreased payments for infrastructure, property, plant and equipment of \$2.10 million.
- Net cash provided by financing activities has remained consistent.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	10.56	3.49	<ul style="list-style-type: none"> <li>• Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$7.17 million is primarily due to an increase in restricted sewerage services cash of \$4.85 million and an increase in specific purpose unexpended grants of \$2.29 million.</li> <li>• Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The increase of \$1.19 million is primarily due to an increase in the infrastructure replacement reserve of \$0.96 million.</li> <li>• Unrestricted cash and investments was \$20.94 million, which is available to provide liquidity for day-to-day operations of the Council.</li> </ul>
Internal restrictions	15.73	14.54	
Unrestricted	21.04	19.02	
<b>Cash and investments</b>	<b>47.33</b>	<b>37.05</b>	

## Debt

Council has \$1.02 million of external borrowings (2019: \$1.09 million) which is secured over the revenue of Council.

## PERFORMANCE

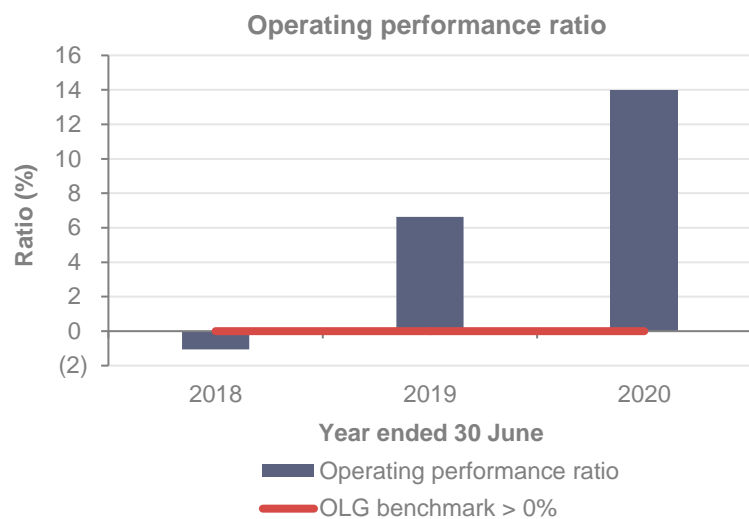
### Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

#### Operating performance ratio

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

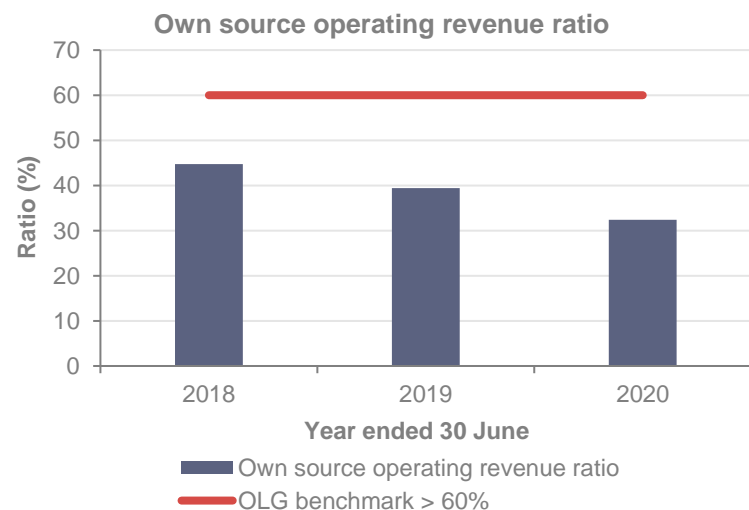
The Council's ratio of 13.96% exceeded the OLG benchmark for the current reporting period.



#### Own source operating revenue ratio

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 OLG is greater than 60 per cent.

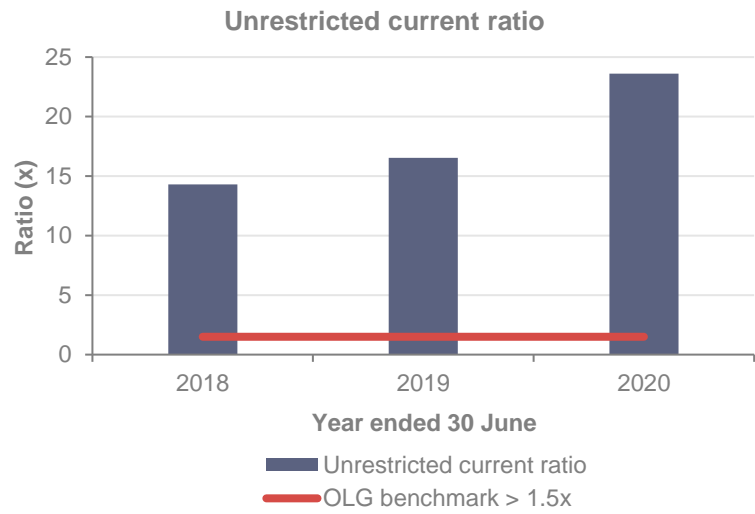
The Council's ratio of 32.40% did not meet the OLG benchmark for the current reporting period. This indicates that the Council is more reliant on external funding sources, such as grants and contributions for all years shown in the calculation.



### Unrestricted current ratio

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

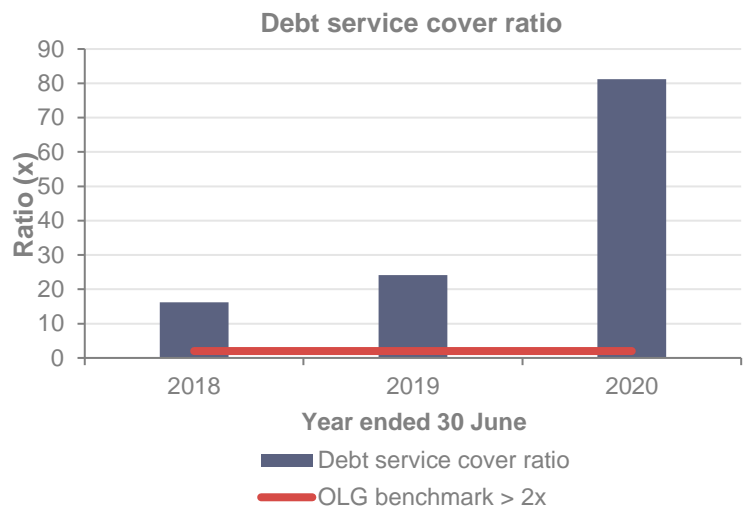
The Council's ratio of 23.61 times exceeded the OLG benchmark for the current reporting period. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.



### Debt service cover ratio

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

The Council's ratio of 81.18 times exceeded the OLG benchmark for the current reporting period. This indicates that the Council has sufficient operating revenue to service its debt.

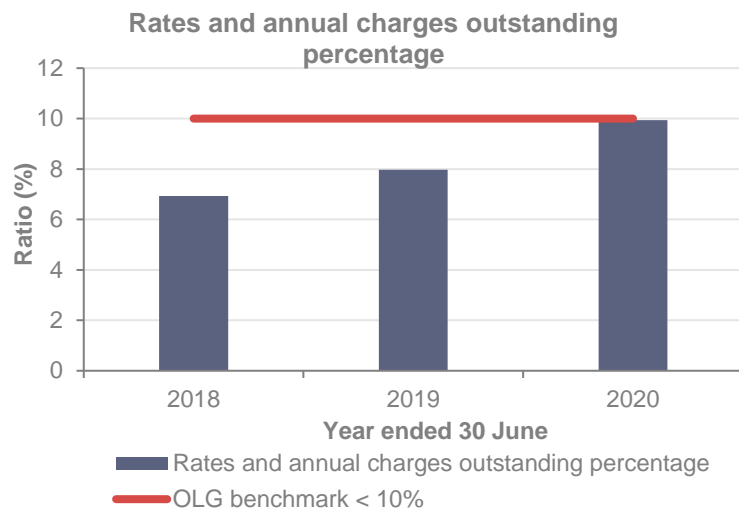


## Rates and annual charges outstanding percentage

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

The Council's ratio of 9.94% met the OLG benchmark for the current reporting period.

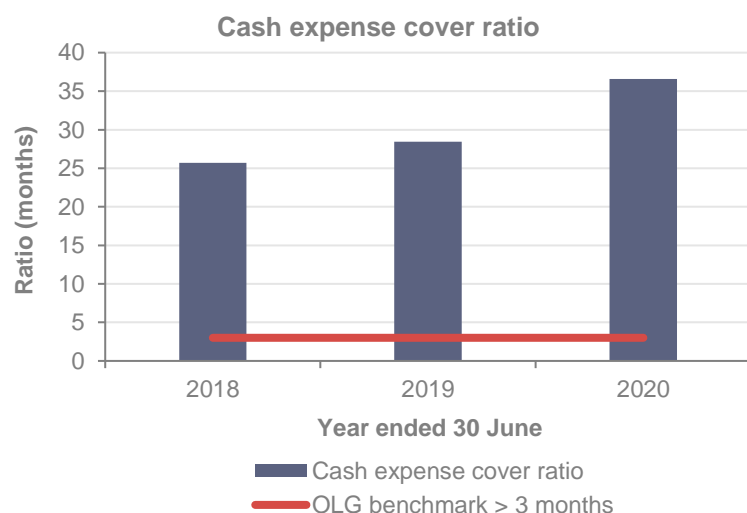
The rates and annual charges outstanding percentage has increased from the previous year due to the impact of the recent drought events and COVID-19, but remains below the OLG benchmark which is a reflection of the ongoing sound debt recovery procedures at the Council.



## Cash expense cover ratio

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 OLG is greater than three months.

The Council's ratio of 36.60 months exceeded the OLG benchmark for the current reporting period. This indicates that Council had the capacity to cover 36.60 months of operating cash expenditure without additional cash inflows at 30 June 2020.



## Infrastructure, property, plant and equipment renewals

The Council renewed \$4.15 million of assets in the 2019-20 financial year, compared to \$2.79 million of assets in the 2018-19 year. The increase is primarily due to an increase in road renewals together with \$0.7 million more for other open space / recreational asset renewals.

## OTHER MATTERS

### Impact of new accounting standards

#### AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$2.83 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 16.

#### AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Council recognised no right-of-use assets or lease liabilities at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 16.

### 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.



Chariee Bultitude  
Delegate of the Auditor-General for New South Wales

cc: Mr Ray Smith, General Manager  
Mr Gary Lavelle, Chair of Audit, Risk and Improvement Committee  
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment



# Bland Shire Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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## Special Purpose Financial Statements

for the year ended 30 June 2020

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### Background

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

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

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

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

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

## Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 20 October 2020.**



Brian Monaghan

**Mayor**

20 October 2020



Rodney Crowe

**Councillor**

20 October 2020



Raymond Smith

**General Manager**

20 October 2020



Leesa Bryant

**Responsible Accounting Officer**

20 October 2020

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	1,576	1,498
Liquid trade waste charges	28	41
Fees	7	1
Interest	12	12
Grants and contributions provided for non-capital purposes	3	–
<b>Total income from continuing operations</b>	<b>1,626</b>	<b>1,552</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	122	179
Materials and contracts	1,005	947
Depreciation, amortisation and impairment	309	315
<b>Total expenses from continuing operations</b>	<b>1,436</b>	<b>1,441</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>190</b>	<b>111</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>190</b>	<b>111</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>190</b>	<b>111</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(52)	(31)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>138</b>	<b>80</b>
<b>Plus accumulated surplus</b>	<b>14,147</b>	<b>14,036</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	52	31
<b>Closing accumulated surplus</b>	<b>14,337</b>	<b>14,147</b>
<b>Return on capital %</b>	<b>1.2%</b>	<b>0.7%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>96</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	138	80
<b>Surplus for dividend calculation purposes</b>	<b>138</b>	<b>80</b>
<b>Potential dividend calculated from surplus</b>	<b>69</b>	<b>40</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,980	3,637
Investments	1,308	1,308
Receivables	243	190
<b>Total current assets</b>	<b>5,531</b>	<b>5,135</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	15,412	15,649
<b>Total non-current assets</b>	<b>15,412</b>	<b>15,649</b>
<b>TOTAL ASSETS</b>	<b>20,943</b>	<b>20,784</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Payables	7	7
Provisions	181	181
<b>Total non-current liabilities</b>	<b>188</b>	<b>188</b>
<b>TOTAL LIABILITIES</b>	<b>188</b>	<b>188</b>
<b>NET ASSETS</b>	<b>20,755</b>	<b>20,596</b>
<b>EQUITY</b>		
Accumulated surplus	14,337	14,147
Revaluation reserves	6,418	6,418
<b>TOTAL EQUITY</b>	<b>20,755</b>	<b>20,565</b>

## Bland Shire Council

# Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

## Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 2093 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

### National Competition Policy

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

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

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

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

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

### Declared business activities

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

#### Category 1

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

Nil

#### Category 2

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

##### Sewerage Services

The operation of sewer reticulation and treatment schemes as West Wyalong, Ungarie and Barmedman.

### Monetary amounts

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

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

### Note 1. Significant Accounting Policies (continued)

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#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

#### Income tax

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

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

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

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

### Note 1. Significant Accounting Policies (continued)

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

#### (ii) Subsidies

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

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

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

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

#### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

#### **Operating result before capital income + interest expense**

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 0.88% at 30/6/20.

#### (iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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





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

To the Councillors of Bland Shire Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Bland Shire Council's (the Council) Declared Business Activity, Sewerage, which comprise the Statement by Councillors and Management, the Income Statement of the Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of the Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activity declared by Council.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2020, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## **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.

The scope of my audit does not include, nor provide assurance:

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



Chariee Bultitude  
Delegate of the Auditor-General for New South Wales

17 November 2020  
SYDNEY

# Bland Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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## Special Schedules

for the year ended 30 June 2020

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#### **Special Schedules**

Permissible income for general rates

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## Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	6,701	6,511
Plus or minus adjustments <sup>2</sup>	b	4	14
<b>Notional general income</b>	c = a + b	<b>6,705</b>	<b>6,525</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	174	176
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>6,879</b>	<b>6,701</b>
Plus (or minus) last year's carry forward total	l	1	1
<b>Sub-total</b>	n = (l + m)	<b>1</b>	<b>1</b>
<b>Total permissible income</b>	o = k + n	<b>6,880</b>	<b>6,702</b>
Less notional general income yield	p	6,879	6,701
<b>Catch-up or (excess) result</b>	q = o - p	<b>2</b>	<b>2</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>2</b>	<b>2</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



**INDEPENDENT AUDITOR'S REPORT**  
**Special Schedule - Permissible income for general rates**  
**Bland Shire Council**

To the Councillors of Bland Shire Council

### **Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Bland Shire Council (the Council) for the year ending 30 June 2021.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code), and is in accordance with the books and records of the Council.

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## Emphasis of Matter - Basis of Accounting

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

## Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2020.

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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



The scope of my audit does not include, nor provide assurance:

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



Chariee Bultitude  
Delegate of the Auditor-General for New South Wales

17 November 2020  
SYDNEY

## Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>(a) Report on Infrastructure Assets - Values</b>												
<b>Buildings</b>	Buildings – non-specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	25,630	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>25,630</b>	<b>–</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	–	–	–	–	3,276	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,276</b>	<b>–</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Unsealed roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bridges	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Footpaths	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>226,748</b>	<b>–</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Sewerage network</b>	Sewerage network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14,891</b>	<b>–</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>22,289</b>	<b>–</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Open space / recreational assets</b>	Swimming pools	–	–	–	–	22,156	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>22,156</b>	<b>–</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

## Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Other infrastructure assets	Other	–	–	–	–	7,889	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	–	–	–	–	<b>7,889</b>	–	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>TOTAL - ALL ASSETS</b>		–	–	–	–	<b>322,879</b>	–	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

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

## Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>4,798</b>	<b>63.37%</b>	18.72%	55.30%	>=100.00%
Depreciation, amortisation and impairment	<b>7,572</b>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>28,491</b>	<b>8.82%</b>	14.92%	12.12%	<2.00%
Net carrying amount of infrastructure assets	<b>322,879</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>—</b>	<b>0.00%</b>	113.94%	113.14%	>100.00%
Required asset maintenance	<b>3,900</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>28,491</b>	∞	10.28%	8.86%	
Gross replacement cost	<b>—</b>				

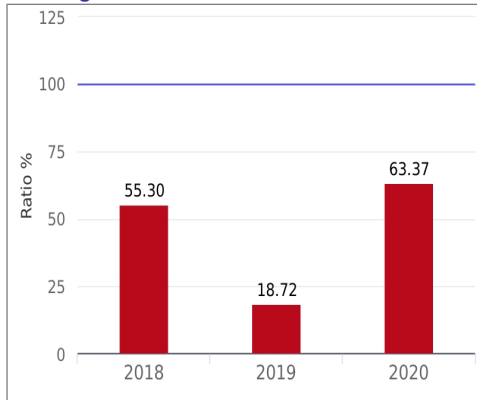
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)  
as at 30 June 2020

**Buildings and infrastructure renewals ratio**



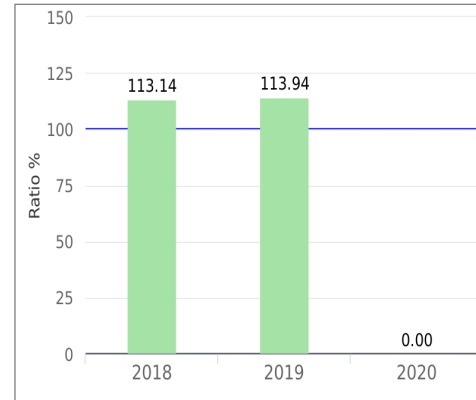
**Buildings and infrastructure renewals ratio**

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

Commentary on result	
19/20 ratio	63.37%

Benchmark: —  $\geq 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Asset maintenance ratio**



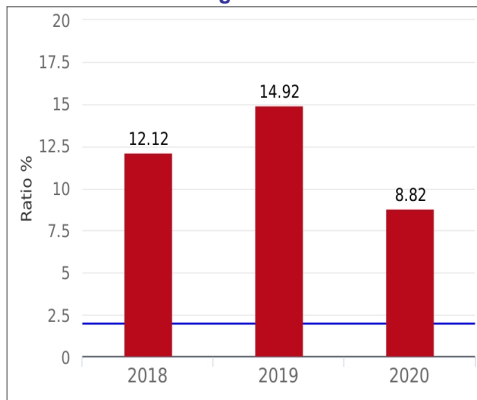
**Asset maintenance ratio**

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

Commentary on result	
19/20 ratio	0.00%

Benchmark: —  $> 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Infrastructure backlog ratio**



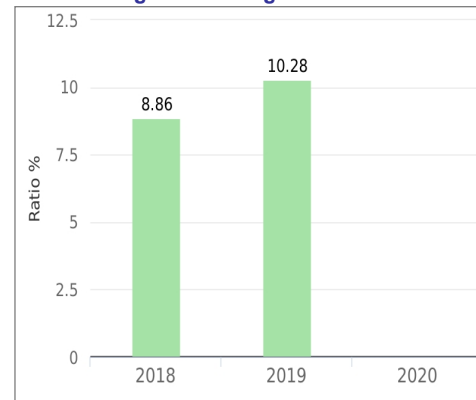
**Infrastructure backlog ratio**

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

Commentary on result	
19/20 ratio	8.82%

Benchmark: —  $< 2.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Cost to bring assets to agreed service level**



**Cost to bring assets to agreed service level**

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

Commentary on result	
19/20 ratio	∞

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Sewer fund		Benchmark
	2020	2019	2020	2019	
<b>Infrastructure asset performance indicators (by fund)</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>					
Depreciation, amortisation and impairment	<b>65.95%</b>	19.08%	<b>0.00%</b>	0.00%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard					
Net carrying amount of infrastructure assets	<b>9.25%</b>	15.37%	<b>0.00%</b>	6.12%	<2.00%
<b>Asset maintenance ratio</b>					
Actual asset maintenance					
Required asset maintenance	<b>0.00%</b>	110.26%	∞	153.19%	>100.00%
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council					
Gross replacement cost	∞	10.64%	∞	3.87%	

(1) Excludes Work In Progress (WIP)

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