

# Gilgandra Shire Council

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

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# Gilgandra 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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# Gilgandra 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.

**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:**

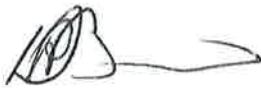
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board,
- the *Local Government Code of Accounting Practice and Financial Reporting*.

**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.**

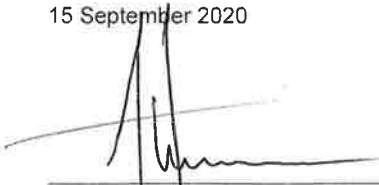
**Signed in accordance with a resolution of Council made on 15 September 2020.**



Doug Batten  
**Mayor**  
15 September 2020



Ash Walker  
**Councillor**  
15 September 2020



David Neeves  
**General Manager**  
15 September 2020



Guy McAnally-Elwin  
**Responsible Accounting Officer**  
15 September 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Restated Actual 2019
<b>Income from continuing operations</b>				
6,304	Rates and annual charges	3a	6,413	6,209
14,751	User charges and fees	3b	16,101	13,608
727	Other revenues	3c	784	842
7,349	Grants and contributions provided for operating purposes	3d,3e	7,872	7,709
3,992	Grants and contributions provided for capital purposes	3d,3e	2,550	2,911
583	Interest and investment income	4	1,294	636
–	Net gains from the disposal of assets	6	–	66
<u>33,706</u>	<b>Total income from continuing operations</b>		<u>35,014</u>	<u>31,981</u>
<b>Expenses from continuing operations</b>				
15,161	Employee benefits and on-costs	5a	16,206	15,670
228	Borrowing costs	5b	186	169
6,359	Materials and contracts	5c	6,575	5,242
5,074	Depreciation and amortisation	5d	5,261	5,137
2,051	Other expenses	5e	1,892	2,521
–	Net losses from the disposal of assets	6	433	–
<u>28,873</u>	<b>Total expenses from continuing operations</b>		<u>30,553</u>	<u>28,739</u>
<u>4,833</u>	<b>Operating result from continuing operations</b>		<u>4,461</u>	<u>3,242</u>
<u>4,833</u>	<b>Net operating result for the year</b>		<u>4,461</u>	<u>3,242</u>
4,833	Net operating result attributable to council		4,461	3,242
841	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		1,911	331

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	Restated 2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>4,461</b>	<b>3,242</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	24,922	461
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>24,922</b>	<b>461</b>
<b>Total other comprehensive income for the year</b>		<b>24,922</b>	<b>461</b>
<b>Total comprehensive income for the year</b>		<b>29,383</b>	<b>3,703</b>
Total comprehensive income attributable to Council		29,383	3,703

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	Restated 2019	Restated 1 July 2018
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7(a)	8,696	3,419	3,926
Investments	7(b)	22,000	21,500	21,000
Receivables	8	3,223	1,992	2,764
Inventories	9	570	741	775
<b>Total current assets</b>		<b>34,489</b>	<b>27,652</b>	<b>28,465</b>
<b>Non-current assets</b>				
Receivables	8	521	306	179
Inventories	9	901	901	850
Infrastructure, property, plant and equipment	10	323,504	296,156	294,029
Right of use assets	12a	129	–	–
<b>Total non-current assets</b>		<b>325,055</b>	<b>297,363</b>	<b>295,058</b>
<b>Total assets</b>		<b>359,544</b>	<b>325,015</b>	<b>323,523</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	13	13,465	11,517	13,760
Income received in advance	13	308	271	231
Contract liabilities	11b	472	–	–
Lease liabilities	12b	129	–	–
Borrowings	13	664	453	453
Provisions	14	3,474	3,264	2,857
<b>Total current liabilities</b>		<b>18,512</b>	<b>15,505</b>	<b>17,301</b>
<b>Non-current liabilities</b>				
Borrowings	13	5,690	2,827	3,280
Provisions	14	826	786	748
<b>Total non-current liabilities</b>		<b>6,516</b>	<b>3,613</b>	<b>4,028</b>
<b>Total liabilities</b>		<b>25,028</b>	<b>19,118</b>	<b>21,329</b>
<b>Net assets</b>		<b>334,516</b>	<b>305,897</b>	<b>302,194</b>
<b>EQUITY</b>				
Accumulated surplus	15	107,176	103,479	100,237
Revaluation reserves	15	227,340	202,418	201,957
<b>Council equity interest</b>		<b>334,516</b>	<b>305,897</b>	<b>302,194</b>
<b>Total equity</b>		<b>334,516</b>	<b>305,897</b>	<b>302,194</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 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
					Restated	Restated	Restated
Opening balance		91,710	202,418	294,128	88,382	201,957	290,339
Correction of prior period errors <sup>1</sup>	15b	11,769	–	11,769	11,855	–	11,855
Changes due to AASB 1058 and AASB 15 adoption	15	(764)	–	(764)	–	–	–
Changes due to AASB 16 adoption	15	–	–	–	–	–	–
<b>Restated opening balance</b>		<b>102,715</b>	<b>202,418</b>	<b>305,133</b>	<b>100,237</b>	<b>201,957</b>	<b>302,194</b>
Net operating result for the year		4,461	–	4,461	3,328	–	3,328
Correction of prior period errors <sup>2</sup>	15b	–	–	–	(86)	–	(86)
<b>Restated net operating result for the period</b>		<b>4,461</b>	<b>–</b>	<b>4,461</b>	<b>3,242</b>	<b>–</b>	<b>3,242</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10	–	24,922	24,922	–	461	461
<b>Other comprehensive income</b>		<b>–</b>	<b>24,922</b>	<b>24,922</b>	<b>–</b>	<b>461</b>	<b>461</b>
<b>Total comprehensive income</b>		<b>4,461</b>	<b>24,922</b>	<b>29,383</b>	<b>3,242</b>	<b>461</b>	<b>3,703</b>
<b>Equity – balance at end of the reporting period</b>		<b>107,176</b>	<b>227,340</b>	<b>334,516</b>	<b>103,479</b>	<b>202,418</b>	<b>305,897</b>

(1) During the revaluation of road assets, the process identified a material difference in the recorded length of the road network when compared to the previous revaluation carried out in 2015. The impact was that the 2015 revaluation was understated by an overall 48km.

(2) Depreciation expense was adjusted for the road assets.

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>				
<b>Receipts:</b>				
6,304	Rates and annual charges		6,166	6,347
14,751	User charges and fees		15,737	14,372
583	Investment and interest revenue received		1,321	634
11,341	Grants and contributions		9,609	10,728
–	Bonds, deposits and retention amounts received		828	–
727	Other		1,060	1,123
<b>Payments:</b>				
(15,161)	Employee benefits and on-costs		(16,103)	(15,366)
(6,227)	Materials and contracts		(6,096)	(7,492)
(228)	Borrowing costs		(149)	(141)
–	Bonds, deposits and retention amounts refunded		(828)	–
(2,051)	Other		(2,010)	(3,125)
10,039	<b>Net cash provided (or used in) operating activities</b>	16b	9,535	7,080
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of real estate assets		90	–
372	Sale of infrastructure, property, plant and equipment		174	419
<b>Payments:</b>				
–	Purchase of investment securities		(500)	(500)
(13,724)	Purchase of infrastructure, property, plant and equipment		(7,872)	(6,691)
–	Purchase of real estate assets		–	(51)
(13,352)	<b>Net cash provided (or used in) investing activities</b>		(8,108)	(6,823)
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
1,806	Proceeds from borrowings and advances		3,623	–
1,000	Proceeds from Retirement Complex Contributions		1,197	2,273
<b>Payments:</b>				
(599)	Repayment of borrowings and advances		(549)	(453)
–	Lease liabilities (principal repayments)		(52)	–
(1,000)	Repayment of Retirement Complex Contributions		(369)	(2,584)
1,207	<b>Net cash flow provided (used in) financing activities</b>		3,850	(764)
(2,106)	<b>Net increase/(decrease) in cash and cash equivalents</b>		5,277	(507)
3,419	Plus: cash and cash equivalents – beginning of year	16a	3,419	3,926
1,313	<b>Cash and cash equivalents – end of the year</b>	16a	8,696	3,419
21,500	plus: Investments on hand – end of year	7(b)	22,000	21,500
22,813	<b>Total cash, cash equivalents and investments</b>		30,696	24,919

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 15 September 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the 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 14.

#### 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. The Consolidated Fund has been included in the Council's financial statements.

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

- General purpose operations
- Water service
- Sewerage service

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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- Orana Living
- Carlginda Enterprises
- Cooee Villa Units
- Cooee Lodge Hostel
- Jack Towney Hostel

#### (b) The Trust Fund

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

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

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

Council relies on volunteers to perform duties within the community transport, meal on wheels and tourist information operational areas. If the services of volunteers were not available, Council would be required fill the void by utilising contracted operators or by employing additional staff. It is estimated that this would cost Council between \$200,000 and \$300,000 annually.

#### 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 (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

#### New accounting standards adopted during the year

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

Those newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures are further discussed at Note 15.

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).

	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
\$ '000				Restated		Restated				Restated
<b>Functions or activities</b>										
Governance	–	–	150	148	(150)	(148)	–	–	–	–
Administration	393	487	7,547	7,214	(7,154)	(6,727)	78	231	19,663	16,238
Public order and safety	603	808	631	618	(28)	190	582	778	2,230	1,940
Health	73	80	527	437	(454)	(357)	–	–	1,791	1,833
Environment	656	616	689	951	(33)	(335)	14	–	3,112	3,118
Community services and education	13,408	12,687	9,442	9,280	3,966	3,407	1,440	1,961	34,987	33,575
Housing and community amenities	246	201	373	368	(127)	(167)	42	41	2,831	2,374
Water supplies	1,276	1,248	1,392	1,155	(116)	93	115	139	18,686	18,633
Sewerage services	1,250	1,008	768	628	482	380	174	4	16,122	15,613
Recreation and culture	732	766	1,108	1,064	(376)	(298)	652	667	8,690	8,112
Mining, manufacturing and construction	29	21	11	62	18	(41)	–	–	–	–
Transport and communication	4,159	3,822	6,738	6,048	(2,579)	(2,226)	1,419	1,532	247,079	220,639
Economic affairs	2,200	859	1,177	766	1,023	93	783	251	4,353	2,940
General purpose revenues	9,989	9,378	–	–	9,989	9,378	3,987	4,019	–	–
<b>Total functions and activities</b>	<b>35,014</b>	<b>31,981</b>	<b>30,553</b>	<b>28,739</b>	<b>4,461</b>	<b>3,242</b>	<b>9,286</b>	<b>9,623</b>	<b>359,544</b>	<b>325,015</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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Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

#### **Governance**

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

#### **Administration**

Includes corporate support and other support services, engineering works and any Council policy compliance.

#### **Public order and safety**

Includes fire protection, emergency services, enforcement of regulations and animal control.

#### **Health**

Includes food control and medical centres.

#### **Environment**

Includes noxious plants and insect / vermin control, solid waste management (including domestic, commercial and other waste management), street cleaning and stormwater management.

#### **Community services and education**

Includes administration and education, social protection (welfare), aged and disabled persons services and children's services.

#### **Housing and community amenities**

Includes public cemeteries, public conveniences, street lighting, town planning and other community amenities including housing services.

#### **Water supplies**

Includes the provision of a water supply service to the town of Gilgandra and the village of Tooraweenah.

#### **Sewerage services**

Includes the provision of a sewerage service to the town of Gilgandra.

#### **Recreation and culture**

Includes public libraries, community centres and halls, other cultural services (heritage programs), sporting grounds and venues, swimming pools, parks and gardens and other sport and recreation services.

#### **Mining, manufacturing and construction**

Includes building control and gravel pits.

#### **Transport and communication**

Includes urban roads, sealed and unsealed rural roads, regional roads, bridges, parking areas, footpaths, aerodromes and other transport services including RMS contract works, rural addressing, road safety officer and kerb and gutter.

#### **Economic affairs**

Includes camping areas and caravan parks, tourism and area promotion, real estate development, private works and other business undertakings.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations

## Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	935	912
Farmland	1058 (1)	3,812	3,704
Business	1058 (1)	247	240
Less: pensioner rebates	1058 (1)	(88)	(93)
<b>Rates levied to ratepayers</b>		<b>4,906</b>	<b>4,763</b>
Pensioner rate subsidies received	1058 (1)	48	52
<b>Total ordinary rates</b>		<b>4,954</b>	<b>4,815</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)	470	457
Stormwater management services	1058 (1)	26	26
Water supply services	1058 (1)	403	385
Sewerage services	1058 (1)	473	439
Waste management services (non-domestic)	1058 (1)	105	104
Less: pensioner rebates	1058 (1)	(43)	(44)
<b>Annual charges levied</b>		<b>1,434</b>	<b>1,367</b>
Pensioner subsidies received:			
– Water	1058 (1)	13	14
– Sewerage	1058 (1)	12	13
<b>Total annual charges</b>		<b>1,459</b>	<b>1,394</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>6,413</b>	<b>6,209</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 which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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 and are in substance a rates payment.

**2019 accounting policy**

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)			
Water supply services	15 (1)	724	671
Sewerage services	15 (1)	588	543
<b>Total specific user charges</b>		<b>1,312</b>	<b>1,214</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)	80	58
Private works – section 67	15 (1)	1,264	465
<b>Total fees and charges – statutory/regulatory</b>		<b>1,344</b>	<b>523</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome	15 (1)	65	65
Aged care	15 (1)	10,660	9,607
Caravan park	15 (1)	15	18
Cemeteries	15 (1)	51	46
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (1)	2,271	1,770
Swimming centres	15 (1)	35	29
Waste disposal tipping fees	15 (1)	42	29
Companion animals	15 (1)	23	33
Government access centre	15 (1)	2	3
Rent and hire of council properties	15 (1)	255	240
Other	15 (1)	26	31
<b>Total fees and charges – other</b>		<b>13,445</b>	<b>11,871</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>16,101</b>	<b>13,608</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**

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as membership fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

**2019 accounting policy**

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>			
Legal fees recovery – rates and charges (extra charges)	1058 (1)	4	1
Commissions and agency fees	1058 (1)	172	169
Insurance claims recoveries	1058 (1)	150	134
Sales – general	1058 (1)	103	106
Accommodation bonds retained	1058 (1)	243	299
Tourism, promotion and economic development	1058 (1)	19	29
Other	1058 (1)	93	104
<b>TOTAL OTHER REVENUE</b>		<b>784</b>	<b>842</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”,

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**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.

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

\$ '000	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	1058 (1)	3,987	4,019	–	–
<b>Total general purpose</b>		<b>3,987</b>	<b>4,019</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Water supplies	15 (2)	–	–	106	128
Sewerage services	15 (2)	–	–	171	–
Aged and disabled care	15 (2)	445	1,247	475	971
Bushfire and emergency services	15 (2)	152	140	484	636
Economic development	15 (2)	–	–	784	–
Employment and training programs	15 (2)	257	236	–	–
Library	15 (2)	74	28	–	–

## 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
LIRS subsidy	15 (2)	42	50	–	–
Recreation and culture	15 (2)	107	7	524	274
Street lighting	15 (2)	42	41	–	–
Transport (roads and bridges funding)	1058	1,419	738	–	885
Parental leave	15 (2)	36	24	–	–
Youth services	15 (2)	154	115	–	–
Other	15 (2)	27	84	–	–
<b>Total specific purpose</b>		<b>2,755</b>	<b>2,710</b>	<b>2,544</b>	<b>2,894</b>
<b>Total grants</b>		<b>6,742</b>	<b>6,729</b>	<b>2,544</b>	<b>2,894</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		5,504	4,549	127	593
– State funding		1,238	2,180	2,417	2,301
		<b>6,742</b>	<b>6,729</b>	<b>2,544</b>	<b>2,894</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”.

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
Recreation and culture		1058 (1)	–	–	6	17
Roads and bridges		1058 (1)	44	44	–	–
RMS contributions (regional roads, block grant)		1058 (1)	485	390	–	–
Education (pre school)		1058 (1)	601	546	–	–
<b>Total contributions</b>			<b>1,130</b>	<b>980</b>	<b>6</b>	<b>17</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>7,872</b>	<b>7,709</b>	<b>2,550</b>	<b>2,911</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****Accounting policy from 1 July 2019****Grant income under AASB 15**

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement but include construction timelines, inspection points, service obligations and reporting. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

#### Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

#### Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

#### Contributions

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

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

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

#### Accounting policy prior to 1 July 2019

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and revenue is recognised at this time 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.

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	628	1,303
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	–	128
<b>Add:</b> operating grants received for the provision of goods and services in a future period	80	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	–	(803)
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	(2)	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>706</b>	<b>628</b>
The unspent operating grants total is made up of funding received for Crown Lands Management (\$80,000), the Drought Communities Program (\$46,000), Library (\$76,000), Dog Pound (\$4,000) and Improving Country Roads (\$500,000).		
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	1,584	369
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	–	1,250
<b>Add:</b> capital grants received for the provision of goods and services in a future period	55	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	–	(35)
<b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income	(1,167)	–
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>472</b>	<b>1,584</b>
The unspent capital grants total is made up of funding received for infrastructure (\$471,000) and building (\$472,000) projects.		
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	17	46
<b>Add:</b> contributions recognised as income in the current period but not yet spent	–	–
<b>Add:</b> contributions received for the provision of goods and services in a future period	–	–
<b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
<b>Less:</b> contributions recognised in a previous reporting period now spent	(17)	(29)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>–</b>	<b>17</b>
The total unspent amount in 2018/19 is made up of the RMS contribution towards the maintenance of regionally significant roads. This amount was fully spent in 2019/20.		

## 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)	50	34
– Cash and investments	458	602

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. Interest and investment income (continued)

\$ '000	2020	2019
Other – funds received from the sale of Southern Phone	786	–
<b>Total Interest and investment income</b>	<b>1,294</b>	<b>636</b>

**Accounting policy for interest and investment revenue**

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

## Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	11,731	11,411
Travel expenses	3	10
Employee leave entitlements (ELE)	2,245	2,260
Superannuation	1,192	1,116
Workers' compensation insurance	670	780
Fringe benefits tax (FBT)	53	86
Training costs (other than salaries and wages)	385	276
Other	132	66
<b>Total employee costs</b>	<b>16,411</b>	<b>16,005</b>
Less: capitalised costs	(205)	(335)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>16,206</b>	<b>15,670</b>
Number of 'full-time equivalent' employees (FTE) at year end	193	192

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

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	2020	2019
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on leases		–	–
Interest on loans		146	135
Charges relating to finance leases		4	–
<b>Total interest bearing liability costs</b>		<b>150</b>	<b>135</b>
<b>Total interest bearing liability costs expensed</b>		<b>150</b>	<b>135</b>
<b>(ii) Other borrowing costs</b>			
Amortisation of discounts and premiums:			
– Remediation liabilities	14	36	34
<b>Total other borrowing costs</b>		<b>36</b>	<b>34</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>186</b>	<b>169</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.

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	6,477	5,175
Auditors remuneration <sup>2</sup>	58	50
<b>Legal expenses:</b>		
– Legal expenses: other	40	17
<b>Total materials and contracts</b>	<b>6,575</b>	<b>5,242</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>6,575</b>	<b>5,242</b>

**1. Auditor remuneration**

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

**Auditors of the Council - NSW Auditor-General:**

<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	58	50
<b>Remuneration for audit and other assurance services</b>	<b>58</b>	<b>50</b>
<b>Total Auditor-General remuneration</b>	<b>58</b>	<b>50</b>
<b>Total Auditor remuneration</b>	<b>58</b>	<b>50</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	2020	2019 Restated
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,046	1,045
Office equipment		117	112
Furniture and fittings		27	27
<b>Infrastructure:</b>	10(a)		
– Buildings (non-specialised)		32	32
– Buildings (specialised)		576	572
– Other structures		388	357
– Roads, Bridges and Footpaths		2,050	2,040
– Stormwater drainage		61	61
– Water supply network		549	534
– Sewerage network		334	325
<b>Right of use assets</b>	12	52	–
<b>Other assets:</b>			
– Library books		11	7
– Other		13	20
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Gravel Pit Assets		5	5
<b>Total depreciation and amortisation costs</b>		<b>5,261</b>	<b>5,137</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<b>5,261</b>	<b>5,137</b>

**Depreciation and amortisation**

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

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

**Impairment of non-financial assets**

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

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

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

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



## 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	43	36
Bank charges	20	19
Contributions/levies to other levels of government		
Councillor expenses – mayoral fee	28	26
Councillor expenses – councillors' fees	100	107
Councillors' expenses (incl. mayor) – other (excluding fees above)	22	16
Community projects	110	829
Donations, contributions and assistance to other organisations (Section 356)	513	504
Electricity and heating	191	209
Insurance	349	336
Printing and stationery	52	64
Street lighting	150	156
Telephone and communications	177	112
Valuation fees	20	26
Other	117	81
<b>TOTAL OTHER EXPENSES</b>	<b>1,892</b>	<b>2,521</b>

**Accounting policy for other expenses**

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

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

\$ '000	Notes	2020	2019
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		–	–
Less: carrying amount of property assets sold/written off		(353)	–
<b>Net gain/(loss) on disposal</b>		<b>(353)</b>	<b>–</b>
<b>Plant and equipment</b>			
	10		
Proceeds from disposal – plant and equipment		174	419
Less: carrying amount of plant and equipment assets sold/written off		(194)	(353)
<b>Net gain/(loss) on disposal</b>		<b>(20)</b>	<b>66</b>
<b>Real estate assets held for sale</b>			
	9		
Proceeds from disposal – real estate assets		90	–
Less: carrying amount of real estate assets sold/written off		(150)	–
<b>Net gain/(loss) on disposal</b>		<b>(60)</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(433)</b>	<b>66</b>

**Accounting policy for disposal of assets**

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

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	7,646	3,378
Cash-equivalent assets		
– Deposits at call	1,050	41
<b>Total cash and cash equivalents</b>	<b>8,696</b>	<b>3,419</b>

**Accounting policy for cash and cash equivalents**

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

## Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
a. 'Financial assets at amortised cost' / 'held to maturity' (2018)	22,000	–	21,500	–
<b>Total Investments</b>	<b>22,000</b>	<b>–</b>	<b>21,500</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>30,696</b>	<b>–</b>	<b>24,919</b>	<b>–</b>
<b>Financial assets at amortised cost</b>				
Short term deposits	–	–	1,000	–
Long term deposits	22,000	–	20,500	–
<b>Total</b>	<b>22,000</b>	<b>–</b>	<b>21,500</b>	<b>–</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 or 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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

- 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.

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

\$ '000	2020	2020	2019	2019
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	30,696	–	24,919	–
<b>attributable to:</b>				
External restrictions	8,352	–	6,410	–
Internal restrictions	10,297	–	7,458	–
Unrestricted	12,047	–	11,051	–
	30,696	–	24,919	–

\$ '000	2020	2019
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended grants – general fund (2020 only)	472	–
Specific purpose unexpended loans – general	2,426	–
<b>External restrictions – included in liabilities</b>	<b>2,898</b>	<b>–</b>

**External restrictions – other**

RMS contributions	–	16
Specific purpose unexpended grants (recognised as revenue) – general fund	706	2,212
Water supplies	2,857	2,658
Sewerage services	1,626	1,320
Domestic waste management	265	204
<b>External restrictions – other</b>	<b>5,454</b>	<b>6,410</b>

**Total external restrictions**

	<b>8,352</b>	<b>6,410</b>
--	--------------	--------------

**Internal restrictions**

Employees leave entitlement	1,477	1,452
Carry over works	761	763
Community services	822	308
Financial assistance grant	2,051	2,046
Recreation facilities	184	126
Transport	1,330	855
Aged and disabled	3,176	1,618
Administration	452	290
Other	44	–

## Notes to the Financial Statements

for the year ended 30 June 2020

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

<b>Total internal restrictions</b>	10,297	7,458
<b>TOTAL RESTRICTIONS</b>	18,649	13,868

## Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	450	262	355	163
Interest and extra charges	41	77	25	65
User charges and fees	1,856	182	1,085	78
Accrued revenues				
– Interest on investments	97	–	152	–
Government grants and subsidies	506	–	295	–
Other debtors	273	–	80	–
<b>Total</b>	3,223	521	1,992	306
<b>TOTAL NET RECEIVABLES</b>	3,223	521	1,992	306

## Accounting policy for receivables

## Recognition and measurement

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	452	901	602	901
Stores and materials	81	–	91	–
Trading stock	37	–	48	–
<b>Total inventories at cost</b>	<b>570</b>	<b>901</b>	<b>741</b>	<b>901</b>
<b>TOTAL INVENTORIES</b>	<b>570</b>	<b>901</b>	<b>741</b>	<b>901</b>

**(i) Other disclosures**

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Details for real estate development</b>					
Residential		–	901	–	901
Industrial/commercial		452	–	602	–
<b>Total real estate for resale</b>		<b>452</b>	<b>901</b>	<b>602</b>	<b>901</b>

(Valued at the lower of cost and net realisable value)

**Represented by:**

Acquisition costs		115	99	154	99
Development costs		337	802	448	802
<b>Total costs</b>		<b>452</b>	<b>901</b>	<b>602</b>	<b>901</b>
<b>Total real estate for resale</b>		<b>452</b>	<b>901</b>	<b>602</b>	<b>901</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		602	901	602	850
– Purchases and other costs		–	–	–	51
– WDV of sales (expense)	6	(150)	–	–	–
<b>Total real estate for resale</b>		<b>452</b>	<b>901</b>	<b>602</b>	<b>901</b>

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

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

**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

	as at 30/06/19			Asset movements during the reporting period					as at 30/06/20		
	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>											
Plant and equipment	15,733	(9,180)	6,553	–	1,156	(194)	(1,046)	–	16,502	(10,033)	6,469
Office equipment	1,253	(935)	318	–	–	–	(117)	–	1,253	(1,052)	201
Furniture and fittings	727	(609)	118	–	–	–	(27)	–	727	(636)	91
<b>Land:</b>											
– Operational land	3,940	–	3,940	–	–	–	–	–	3,940	–	3,940
– Community land	1,237	–	1,237	–	–	–	–	–	1,237	–	1,237
– Land under roads (post 30/6/08)	185	–	185	–	–	–	–	–	185	–	185
<b>Infrastructure:</b>											
– Buildings – non-specialised	1,825	(32)	1,793	–	275	–	(32)	–	2,100	(64)	2,036
– Buildings – specialised	48,822	(14,612)	34,210	2,967	492	(353)	(576)	–	51,521	(14,781)	36,740
– Other structures	6,594	(3,092)	3,502	47	482	–	(388)	–	7,123	(3,480)	3,643
– Roads, bridges & footpaths <sup>2</sup>	278,313	(65,262)	213,051	1,769	–	–	(2,050)	24,667	269,415	(31,978)	237,437
– Stormwater drainage	5,814	(4,072)	1,742	31	–	–	(61)	–	5,845	(4,133)	1,712
– Water supply network	30,066	(14,694)	15,372	529	–	–	(549)	134	30,857	(15,371)	15,486
– Sewerage network	24,486	(10,579)	13,907	412	–	–	(334)	121	25,111	(11,005)	14,106
<b>Other assets:</b>											
– Heritage collections	50	(50)	–	–	–	–	–	–	50	(50)	–
– Library books	222	(211)	11	–	22	–	(11)	–	244	(222)	22
– Other	583	(570)	13	–	–	–	(13)	–	583	(583)	–
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>											
– Gravel Pit Assets	272	(68)	204	–	–	–	(5)	–	272	(73)	199
<b>Total Infrastructure, property, plant and equipment</b>	<b>420,122</b>	<b>(123,966)</b>	<b>296,156</b>	<b>5,755</b>	<b>2,427</b>	<b>(547)</b>	<b>(5,209)</b>	<b>24,922</b>	<b>416,965</b>	<b>(93,461)</b>	<b>323,504</b>

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

(2) The actual values for 2018/19 have been restated - refer to Note 15(b).

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 Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense Restated	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated
<b>\$ '000</b>											
Plant and equipment	14,965	(8,798)	6,167	–	1,784	(353)	(1,045)	–	15,733	(9,180)	6,553
Office equipment	1,202	(823)	379	–	51	–	(112)	–	1,253	(935)	318
Furniture and fittings	727	(582)	145	–	–	–	(27)	–	727	(609)	118
<b>Land:</b>											
– Operational land	3,940	–	3,940	–	–	–	–	–	3,940	–	3,940
– Community land	1,237	–	1,237	–	–	–	–	–	1,237	–	1,237
– Land under roads (post 30/6/08)	185	–	185	–	–	–	–	–	185	–	185
<b>Infrastructure:</b>											
– Buildings – non-specialised	1,825	–	1,825	–	–	–	(32)	–	1,825	(32)	1,793
– Buildings – specialised	47,523	(14,040)	33,483	805	494	–	(572)	–	48,822	(14,612)	34,210
– Other structures	5,622	(2,735)	2,887	745	227	–	(357)	–	6,594	(3,092)	3,502
– Roads, bridges & footpaths <sup>2</sup>	275,583	(63,222)	212,361	2,730	–	–	(2,040)	–	278,313	(65,262)	213,051
– Stormwater drainage	5,810	(4,011)	1,799	4	–	–	(61)	–	5,814	(4,072)	1,742
– Water supply network	29,395	(13,929)	15,466	198	–	–	(534)	242	30,066	(14,694)	15,372
– Sewerage network	23,988	(10,081)	13,907	112	–	–	(325)	219	24,486	(10,579)	13,907
<b>Other assets:</b>											
– Heritage collections	50	(50)	–	–	–	–	–	–	50	(50)	–
– Library books	211	(205)	6	–	11	–	(7)	–	222	(211)	11
– Other	583	(550)	33	–	–	–	(20)	–	583	(570)	13
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>											
– Gravel Pit Assets	272	(63)	209	–	–	–	(5)	–	272	(68)	204
<b>Total Infrastructure, property, plant and equipment</b>	<b>413,118</b>	<b>(119,089)</b>	<b>294,029</b>	<b>4,594</b>	<b>2,567</b>	<b>(353)</b>	<b>(5,137)</b>	<b>461</b>	<b>420,122</b>	<b>(123,966)</b>	<b>296,156</b>

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

(2) These values have been restated - refer to Note 15(b).

## 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 comprehensive valuations are performed at least every 5 years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

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

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

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

When infrastructure, property, plant and equipment are acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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

<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>Water and 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	20
Sealed roads: structure	80	Swimming pools	50
Unsealed roads	20	Kerb and gutter	100
Bridge: concrete	100	Footpaths	20
Bridge: other	100	Other open space / recreational assets	20
Sealed road pavements	80	Other infrastructure	20
Unsealed road pavements	20		

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

**Land under roads**

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

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

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)

#### Crown reserves

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

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

#### Rural Fire Service assets

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

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

### Note 11. Contract assets and liabilities

#### (a) Contract assets

Council does not have any contract assets.

\$ '000	Notes	2020 Current	2020 Non-current
<b>(b) Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	472	–
<b>Total grants received in advance</b>		<b>472</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>472</b>	<b>–</b>

#### Notes

(i) Council has received funding to construct assets including sporting facilities, bridges, library 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>(i) Contract liabilities relating to restricted assets</b>		
<b>Externally restricted assets</b>		
Unspent grants held as contract liabilities (excl. Water & Sewer)	472	–
<b>Contract liabilities relating to externally restricted assets</b>	<b>472</b>	<b>–</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>472</b>	<b>–</b>
<b>Total contract liabilities relating to unrestricted assets</b>	<b>–</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Contract assets and liabilities (continued)

Total contract liabilities	472	-
<b>\$ '000</b>		<b>2020</b>
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>		
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)		348
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>		<b>348</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.

**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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 12. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

#### (i) Council as a lessee

Council has leases over a range of assets including land and buildings, vehicles, machinery and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

#### Terms and conditions of leases

##### Buildings

Council leases a building for the operations of Community Care and Transport; the lease is for 3 years with no renewal option.

The lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

##### Office and IT equipment

Council has a numbers of lease agreements in place for phone systems in various locations. The leases are for 5 years with no renewal option and the payments are fixed.

\$ '000	Office & IT Equipment	Buildings	Total
<b>(a) Right of use assets</b>			
Opening balance at 30 June 2019	-	-	-
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	146	35	181
Depreciation charge	(35)	(17)	(52)
<b><u>RIGHT OF USE ASSETS</u></b>	<b><u>111</u></b>	<b><u>18</u></b>	<b><u>129</u></b>

\$ '000	2020 Current	2020 Non-current
<b>(b) Lease liabilities</b>		
Lease liabilities	129	-
<b><u>TOTAL LEASE LIABILITIES</u></b>	<b><u>129</u></b>	<b><u>-</u></b>

#### (i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	50	50	29	129	129

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Leases (continued)

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

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

Interest on lease liabilities	4
Depreciation of right of use assets	52
	56

**(d) Statement of Cash Flows**

Total cash outflow for leases	54
	54

**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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services	1,701	–	586	–
Accrued expenses:				
– Borrowings	34	–	34	–
– Salaries and wages	168	–	234	–
Retirement complex contributions	11,491	–	10,663	–
Other	71	–	–	–
Prepaid rates and charges	–	–	–	–
<b>Total payables</b>	<b>13,465</b>	<b>–</b>	<b>11,517</b>	<b>–</b>
<b>Income received in advance (2019 only)</b>				
Payments received in advance	308	–	271	–
<b>Total income received in advance</b>	<b>308</b>	<b>–</b>	<b>271</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	664	5,690	453	2,827
<b>Total borrowings</b>	<b>664</b>	<b>5,690</b>	<b>453</b>	<b>2,827</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>14,437</u></b>	<b><u>5,690</u></b>	<b><u>12,241</u></b>	<b><u>2,827</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 20.

\$ '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>				
Water	248	198	120	254
Sewer	139	71	25	88
Payables and borrowings relating to externally restricted assets	387	269	145	342
<b>Total payables and borrowings relating to restricted assets</b>	<b>387</b>	<b>269</b>	<b>145</b>	<b>342</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>14,437</u></b>	<b><u>5,690</u></b>	<b><u>12,241</u></b>	<b><u>2,827</u></b>

\$ '000	2020	2019
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**(b) Current payables and borrowings not anticipated to be settled within the next twelve months**

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

Payables – security bonds, deposits and retentions	10,342	9,597
<b>Total payables and borrowings</b>	<b>10,342</b>	<b>9,597</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Payables and borrowings (continued)

## (c) 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	3,280	3,074	–	–	–	–	6,354
Lease liabilities	–	129	–	–	–	–	129
<b>TOTAL</b>	<b>3,280</b>	<b>3,203</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6,483</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	3,733	(453)	–	–	–	3,280	
<b>TOTAL</b>	<b>3,733</b>	<b>(453)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,280</b>	

\$ '000	2020	2019
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## (d) Financing arrangements

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

Credit cards/purchase cards	85	75
<b>Total financing arrangements</b>	<b>85</b>	<b>75</b>

## Undrawn facilities as at balance date:

– Credit cards/purchase cards	85	75
<b>Total undrawn financing arrangements</b>	<b>85</b>	<b>75</b>

## 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 and bank loans.

## Payables

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

## Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

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.

Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	1,739	–	1,577	–
Long service leave	1,601	159	1,578	156
Other leave	134	–	109	–
<b>Sub-total – aggregate employee benefits</b>	<b>3,474</b>	<b>159</b>	<b>3,264</b>	<b>156</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	667	–	630
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>667</b>	<b>–</b>	<b>630</b>
<b>TOTAL PROVISIONS</b>	<b>3,474</b>	<b>826</b>	<b>3,264</b>	<b>786</b>

\$ '000	2020	2019
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(a) 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	890	916
	<b>890</b>	<b>916</b>

(b) 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	1,577	1,734	109	3,420
Additional provisions	801	303	108	1,212
Amounts used (payments)	(877)	(219)	(101)	(1,197)
Remeasurement effects	238	(58)	18	198
<b>Total ELE provisions at end of year</b>	<b>1,739</b>	<b>1,760</b>	<b>134</b>	<b>3,633</b>
<b>2019</b>				
At beginning of year	1,366	1,536	107	3,009
Additional provisions	684	364	101	1,149
Amounts used (payments)	(700)	(143)	(105)	(948)
Remeasurement effects	227	(23)	6	210
<b>Total ELE provisions at end of year</b>	<b>1,577</b>	<b>1,734</b>	<b>109</b>	<b>3,420</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Provisions (continued)

\$ '000	Other provisions	
	Asset remediation	Total
<b>2020</b>		
At beginning of year	630	630
Unwinding of discount	37	37
Total other provisions at end of year	667	667
<b>2019</b>		
At beginning of year	596	596
Unwinding of discount	34	34
Total other provisions at end of year	630	630

**Accounting policy for provisions**

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

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

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

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

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

**Other long-term employee benefit obligations**

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

**On-costs**

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Provisions (continued)

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#### **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 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors****(a) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

**(b) Correction of errors relating to a previous reporting period****Nature of prior-period error**

In accordance with applicable accounting standards, Council carried out a revaluation of road assets which also included bridges and footpaths. This process identified a material difference in the recorded length of the road network when compared to the previous revaluation that was carried out in 2015. The difference in the lengths from 2015 to 2020 is as follows:

- Sealed Rural Roads: from 294km to 277km difference of -17km
- Sealed Urban Roads: from 37km to 47km difference of 10km
- Unsealed Rural Roads: from 926km to 971km difference of 45km
- Unsealed Urban Roads: from 3km to 13km difference of 10km

The impact was that the 2015 revaluation was understated by an overall 48km. This resulted in a correction of the value of the roads, bridges and footpaths of \$12.2m less accumulated depreciation of \$0.4m resulting in a net correction of \$11.8m as at 30 June 2020.

The value of the error as at 1 July 2018 was \$12.2m less accumulated depreciation of \$0.3m for a net value of \$11.9m. The value of the error as at 30 June 2019 was \$12.2m less accumulated depreciation of \$0.4m for a net value of \$11.8m.

The error identified above has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to the accumulated surplus at that date.

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

**Changes to the opening Statement of Financial Position at 1 July 2018****Statement of Financial Position**

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Infrastructure, property, plant and equipment	282,174	11,855	294,029
<b>Total assets</b>	<b>311,668</b>	<b>11,855</b>	<b>323,523</b>
<b>Net assets</b>	<b>290,339</b>	<b>11,855</b>	<b>302,194</b>
Accumulated surplus	88,382	11,855	100,237
Revaluation reserves	201,957	–	201,957
<b>Total equity</b>	<b>290,339</b>	<b>11,855</b>	<b>302,194</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

## Adjustments to the comparative figures for the year ended 30 June 2019

## Statement of Financial Position

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Infrastructure, property, plant and equipment	284,387	11,769	296,156
<b>Total assets</b>	<b>313,246</b>	<b>11,769</b>	<b>325,015</b>
<b>Net assets</b>	<b>294,128</b>	<b>11,769</b>	<b>305,897</b>
Accumulated surplus	91,710	11,769	103,479
Revaluation reserves	202,418	–	202,418
<b>Total equity</b>	<b>294,128</b>	<b>11,769</b>	<b>305,897</b>

## Income Statement

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Depreciation and amortisation	5,051	86	5,137
<b>Total expenses from continuing operations</b>	<b>28,653</b>	<b>86</b>	<b>28,739</b>
<b>Net operating result for the year</b>	<b>3,328</b>	<b>(86)</b>	<b>3,242</b>

## Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
<b>Net operating result for the year</b>	<b>3,328</b>	<b>(86)</b>	<b>3,242</b>
Gain (loss) on revaluation of IPP&E	461	–	461
<b>Other comprehensive income</b>	<b>461</b>	<b>–</b>	<b>461</b>
<b>Total comprehensive income for the year</b>	<b>3,789</b>	<b>(86)</b>	<b>3,703</b>

## (c) (i) 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:

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****(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.

Council is required to outline the nature of any changes in accounting policies resulting from the adoption of AASB 15 and AASB 1058.

**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.

**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 liability has been created.

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\$ '000

**Balance at  
1 July 2019**

**Opening contract balances at 1 July 2019**

Notes to the Financial Statements

for the year ended 30 June 2020

**Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

\$ '000	Balance at 1 July 2019
<b>Contract liabilities</b>	
– Under AASB 15	764
– Under AASB 1058	–
<b>Total Contract liabilities</b>	<u>764</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-e ment	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	8,696	–	–	8,696	
Investments	22,000	–	–	22,000	
Receivables	3,223	–	–	3,223	
Inventories	570	–	–	570	
<b>Total current assets</b>	<u>34,489</u>	<u>–</u>	<u>–</u>	<u>34,489</u>	
<b>Current liabilities</b>					
Payables	13,465	–	–	13,465	
Income received in advance	308	–	–	308	
Contract liabilities	472	–	(472)	–	
Lease liabilities	129	–	–	129	
Borrowings	664	–	–	664	
Provisions	3,474	–	–	3,474	
<b>Total current liabilities</b>	<u>18,512</u>	<u>–</u>	<u>(472)</u>	<u>18,040</u>	
<b>Non-current assets</b>					
Receivables	521	–	–	521	
Inventories	901	–	–	901	
Infrastructure, property, plant and equipment	323,504	–	–	323,504	
Right of use assets	129	–	–	129	
<b>Total non-current assets</b>	<u>325,055</u>	<u>–</u>	<u>–</u>	<u>325,055</u>	
<b>Non-current liabilities</b>					
Borrowings	5,690	–	–	5,690	
Provisions	826	–	–	826	
<b>Total Non-current liabilities</b>	<u>6,516</u>	<u>–</u>	<u>–</u>	<u>6,516</u>	
<b>Net assets</b>	<u>334,516</u>	<u>–</u>	<u>472</u>	<u>334,988</u>	

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. 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-e ment	Carrying amount under previous revenue standards	Notes
<b>Equity</b>					
Accumulated surplus	107,176	–	472	107,648	
Revaluation reserves	227,340	–	–	227,340	
<b>Council equity interest</b>	<b>334,516</b>	<b>–</b>	<b>472</b>	<b>334,988</b>	
<b>Total equity</b>	<b>334,516</b>	<b>–</b>	<b>472</b>	<b>334,988</b>	

The implementation of AASB 15 and AASB 1058 required the creation of the contract liability amount of \$943,000. If the implementation of the new standards was not required, the liability amount would be removed and recorded as an increase to the accumulated surplus.

## 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	6,413	–	–	6,413	
User charges and fees	16,101	–	–	16,101	
Other revenues	784	–	–	784	
Grants and contributions provided for operating purposes	7,872	–	–	7,872	
Grants and contributions provided for capital purposes	2,550	–	472	3,022	
Interest and investment income	1,294	–	–	1,294	
<b>Total Income from continuing operations</b>	<b>35,014</b>	<b>–</b>	<b>472</b>	<b>35,486</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	16,206	–	–	16,206	
Borrowing costs	186	–	–	186	
Materials and contracts	6,575	–	–	6,575	
Depreciation and amortisation	5,261	–	–	5,261	
Other expenses	1,892	–	–	1,892	
Net losses from the disposal of assets	433	–	–	433	
<b>Total Expenses from continuing operations</b>	<b>30,553</b>	<b>–</b>	<b>–</b>	<b>30,553</b>	
<b>Total Operating result from continuing operations</b>	<b>4,461</b>	<b>–</b>	<b>472</b>	<b>4,933</b>	
<b>Net operating result for the year</b>	<b>4,461</b>	<b>–</b>	<b>472</b>	<b>4,933</b>	

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. 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
<b>Total comprehensive income</b>	29,383	–	–	29,383	

The implementation of AASB 15 and AASB 1058 required the creation of a contract liability for unspent capital income. If the new standards were not required to be implemented, the liability amount of \$943,000 would be included as income and would increase the existing surplus result.

## 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	–	764	764
<b>Total liabilities</b>	<b>–</b>	<b>764</b>	<b>764</b>
Accumulated surplus	–	(764)	(764)
<b>Total equity</b>	<b>–</b>	<b>(764)</b>	<b>(764)</b>

## (iii) AASB 16 Leases

## 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****Financial statement impact of adoption of AASB 16**

Council has recognised right-of-use assets and lease liabilities of \$70,729 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 2.00%.

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	–

**Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases**

**Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019** –

**Add:**

Contracts not accounted for as operating lease commitments last year	110
<b>Lease liabilities recognised at 1 July 2019</b>	<b>110</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.

**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	129	129
<b>Total assets</b>	<b>–</b>	<b>129</b>	<b>129</b>
Payables – accrued interest on leases (30/6/2019)	–	–	–
Leases	–	129	129
<b>Total liabilities</b>	<b>–</b>	<b>129</b>	<b>129</b>
Accumulated surplus	91,710	–	91,710
<b>Total equity</b>	<b>–</b>	<b>–</b>	<b>–</b>

**Note 16. 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)	8,696	3,419
<b>Balance as per the Statement of Cash Flows</b>		<b>8,696</b>	<b>3,419</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Statement of cash flow information (continued)

\$ '000	2020	2019
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>		
<b>Net operating result from Income Statement</b>	4,461	3,242
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	5,261	5,051
Net losses/(gains) on disposal of assets	433	(66)
Non-cash capital grants and contributions	(310)	(465)
Adoption of AASB 15/1058	(764)	–
Unwinding of discount rates on reinstatement provisions	37	34
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	(1,446)	645
Decrease/(increase) in inventories	21	34
Increase/(decrease) in payables	1,115	(1,838)
Increase/(decrease) in accrued interest payable	–	(6)
Increase/(decrease) in other accrued expenses payable	(66)	(10)
Increase/(decrease) in other liabilities	108	(38)
Increase/(decrease) in contract liabilities	472	–
Increase/(decrease) in provision for employee benefits	213	411
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>9,535</b>	<b>6,994</b>
<b>(c) Non-cash investing and financing activities</b>		
Rural Fire Service vehicle purchases	310	465
<b>Total non-cash investing and financing activities</b>	<b>310</b>	<b>465</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Interests in other entities

## (a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described below.

## (b) Joint arrangements

## (i) Joint ventures

Council acknowledges a 25% interest in a joint venture with the North West Library, however, this joint venture has not been included in the financial statements due to the value of the operations and Council's equity in the joint venture not deemed to be of a material nature.

## (i) Unconsolidated structured entities

County Councils as joint ventures:

Council is a member of the Castlereagh-Macquarie County Council, a body corporate established under the Local Government Act 1993 (NSW) to administer and control noxious weeds in the district. Council is one of five constituent councils and does not have significant influence over the County Council.

Accordingly, the County Council has not been consolidated in the financial statements.

## Note 18. Commitments

\$ '000	2020	2019
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## 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	6,405	1,591
Plant and equipment	76	76
Infrastructure	2,168	1,289
<b>Total commitments</b>	<b>8,649</b>	<b>2,956</b>

## These expenditures are payable as follows:

Within the next year	4,325	2,258
Later than one year and not later than 5 years	532	268
Later than 5 years	3,792	430
<b>Total payable</b>	<b>8,649</b>	<b>2,956</b>

## Details of capital commitments

Council is committed to spending on the above capital items with all having been included in previous year's budgets and carried forward to the 2020/21 year as well as ongoing years as detailed in the Long Term Financial Plan. Contractual arrangements are in place for these commitments with funding allocated and placed in internal reserves as at 30 June 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

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

The past contributions for each pooled employer is a share of the total past contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past 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.

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Contingencies (continued)

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

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 \$59,893.98. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2019. Council's expected contribution to the plan for the next annual reporting period is \$56,885.40.

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.

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

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

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

\* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation and, once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed around November / December 2019.

**(ii) Statewide Limited**

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

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

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

**(iii) StateCover Limited**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Contingencies (continued)

**(iv) Other guarantees**

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

**2. Other liabilities****(i) Third party claims**

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

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

## 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	8,696	3,419	8,497	3,419
Receivables	3,744	2,298	3,744	2,298
Investments				
– 'Financial assets at amortised cost'	22,000	21,500	22,000	21,500
<b>Total financial assets</b>	<b>34,440</b>	<b>27,217</b>	<b>34,241</b>	<b>27,217</b>
<b>Financial liabilities</b>				
Payables	13,465	11,517	13,465	11,517
Loans/advances	6,354	3,280	6,354	3,280
Lease liabilities	129	–	–	–
<b>Total financial liabilities</b>	<b>19,948</b>	<b>14,797</b>	<b>19,819</b>	<b>14,797</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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

- 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.
- 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	231	231	(230)	(230)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	215	215	(215)	(215)

## (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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

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

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

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

**Credit risk profile**

**Receivables – rates and annual charges**

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount	–	450	132	130	–	712

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

**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>2019</b>						
Gross carrying amount	–	355	65	98	–	518

**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	1,596	726	97	28	585	3,032
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–
<b>2019</b>						
Gross carrying amount	938	426	75	12	329	1,780
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–

**(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	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2020</b>							



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
Trade/other payables	0.00%	–	13,465	–	–	13,465	13,465
Loans and advances	3.10%	–	837	3,446	2,929	7,212	6,354
<b>Total financial liabilities</b>		–	<b>14,302</b>	<b>3,446</b>	<b>2,929</b>	<b>20,677</b>	<b>19,819</b>
<b>2019</b>							
Trade/other payables	0.00%	–	11,517	–	–	11,517	11,517
Loans and advances	4.09%	–	593	2,285	823	3,701	3,280
<b>Total financial liabilities</b>		–	<b>12,110</b>	<b>2,285</b>	<b>823</b>	<b>15,218</b>	<b>14,797</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 June 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>				
Rates and annual charges	6,304	6,413	109	2% <b>F</b>
User charges and fees	14,751	16,101	1,350	9% <b>F</b>
Other revenues	727	784	57	8% <b>F</b>
Operating grants and contributions	7,349	7,872	523	7% <b>F</b>
Capital grants and contributions	3,992	2,550	(1,442)	(36)% <b>U</b>

Council included capital grant funds in the 19/20 budget to complete some large scale projects. These projects remained unfinished at the end of the year and, as a result, the expected grant funding was not paid. These projects will be carried over to the 20/21 year and the grant funding will be paid on completion.

Interest and investment revenue	583	1,294	711	122% <b>F</b>
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The actual amount for interest and investment revenue includes a payment of \$785,714 for Council's share of the sale proceeds of Southern Phone. This was not included in the 19/20 budget as it was not known at the time. It should also be noted that interest rates declined during the year which has led to a variance of less than the Southern Phone proceeds.

### EXPENSES

Employee benefits and on-costs	15,161	16,206	(1,045)	(7)% <b>U</b>
Borrowing costs	228	186	42	18% <b>F</b>
Materials and contracts	6,359	6,575	(216)	(3)% <b>U</b>
Depreciation and amortisation	5,074	5,261	(187)	(4)% <b>U</b>
Other expenses	2,051	1,892	159	8% <b>F</b>
Net losses from disposal of assets	–	433	(433)	∞ <b>U</b>

Council does not budget for gains or losses from the disposal of assets as the actual sale proceeds are included with the capital section.

### STATEMENT OF CASH FLOWS

Cash flows from operating activities	10,039	9,535	(504)	(5)% <b>U</b>
Cash flows from investing activities	(13,352)	(8,108)	5,244	(39)% <b>F</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----
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As previously stated, there are some major capital works projects that were not completed during the year and will be carried over to 20/21. As a result, there was less than estimated capital spending.

<b>Cash flows from financing activities</b>	<b>1,207</b>	<b>3,850</b>	<b>2,643</b>	<b>219%</b>	<b>F</b>
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Council resolved during the year to borrow additional funds to complete a capital project. While that project remained incomplete at the end of the year, the funds were borrowed towards the end of 19/20. A net increase in the retirement village accommodation bonds held was also recorded.

### 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).

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

## (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>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant & equipment	30/06/20	6,469	–	–	6,469
Office equipment	30/06/20	–	–	201	201
Furniture & fittings	30/06/20	–	–	91	91
Land	30/06/18	–	5,362	–	5,362
Buildings	30/06/18	–	–	38,776	38,776
Other structures	30/06/10	–	–	3,643	3,643
Roads, bridges & footpaths	30/06/20	–	–	237,437	237,437
Stormwater drainage	30/06/10	–	–	1,712	1,712
Water supply	30/06/16	–	–	15,486	15,486
Sewerage services	30/06/16	–	–	14,106	14,106
Other assets	30/06/20	–	–	22	22
Gravel pits	30/06/19	–	–	199	199
<b>Total infrastructure, property, plant and equipment</b>		<b>6,469</b>	<b>5,362</b>	<b>311,673</b>	<b>323,504</b>

2019	Date of latest valuation	Fair value measurement hierarchy			Total Restated
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs Restated	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant & equipment	30/06/19	6,553	–	–	6,553
Office equipment	30/06/19	–	–	318	318
Furniture & fittings	30/06/19	–	–	118	118
Land	30/06/18	–	5,362	–	5,362
Buildings	30/06/18	–	–	36,003	36,003
Other structures	30/06/10	–	–	3,502	3,502
Roads, bridges & footpaths	30/06/15	–	–	213,051	213,051
Stormwater drainage	30/06/10	–	–	1,742	1,742
Water supply	30/06/16	–	–	15,372	15,372
Sewerage services	30/06/16	–	–	13,907	13,907
Other assets	30/06/19	–	–	23	23
Gravel pits	30/06/19	–	–	205	205
<b>Total infrastructure, property, plant and equipment</b>		<b>6,553</b>	<b>5,362</b>	<b>284,241</b>	<b>296,156</b>

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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

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

Council engaged the services of professional valuers to provide valuations for land and buildings. The values used for infrastructure assets (roads, bridges and footpaths, stormwater drainage, water supply and sewerage services) have been determined by qualified Council staff by using known constructions costs, current condition assessments, current renewal practices and known construction dates. The values of the remaining asset classes (plant and equipment, office equipment, furniture and fittings, other structures and other assets) have been determined by deeming that the transaction price equals the fair value at initial recognition.

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

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

\$ '000	Roads, bridges and footpaths Restated	Stormwater drainage	Water supply network	Sewerage services	Other structures
<b>2019</b>					
<b>Opening balance</b>	212,361	1,799	15,466	13,907	2,887
Purchases (GBV)	2,730	4	198	112	972
Depreciation and impairment	(2,040)	(61)	(534)	(325)	(357)
FV gains – other comprehensive income	–	–	242	219	–
<b>Closing balance</b>	<b>213,051</b>	<b>1,742</b>	<b>15,372</b>	<b>13,913</b>	<b>3,502</b>
<b>2020</b>					
<b>Opening balance</b>	213,051	1,742	15,372	13,907	3,502
Purchases (GBV)	1,769	31	529	412	529
Depreciation and impairment	(2,050)	(61)	(549)	(334)	(388)
FV gains – other comprehensive income	24,667	–	134	121	–
<b>Closing balance</b>	<b>237,437</b>	<b>1,712</b>	<b>15,486</b>	<b>14,106</b>	<b>3,643</b>

\$ '000	Other assets	Gravel pits	Total Restated
<b>2019</b>			
<b>Opening balance</b>	39	209	<b>246,668</b>
Purchases (GBV)	11	–	<b>4,027</b>
Depreciation and impairment	(27)	(5)	<b>(3,349)</b>
FV gains – other comprehensive income	–	–	<b>461</b>
<b>Closing balance</b>	<b>23</b>	<b>204</b>	<b>247,807</b>
<b>2020</b>			
<b>Opening balance</b>	23	204	<b>247,801</b>
Purchases (GBV)	22	–	<b>3,292</b>
Depreciation and impairment	(23)	(5)	<b>(3,410)</b>
FV gains – other comprehensive income	–	–	<b>24,922</b>
<b>Closing balance</b>	<b>22</b>	<b>199</b>	<b>272,605</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

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

Information relating to the transfers

There were no transfers into or out of the Level 3 hierarchy as listed in the tables above.

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

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

	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>		
Buildings	Independent valuation.	Depreciated current replacement cost & market value.
Roads, bridges, etc.	In house valuation.	Depreciated replacement cost.
Stormwater drainage	In house valuation.	Depreciated replacement cost.
Water supply	In house valuation.	Depreciated replacement cost.
Sewerage services	In house valuation.	Depreciated replacement cost.
Other structures	Transaction price.	Purchase price of asset used.
Other assets	Transaction price.	Purchase price of asset used.
Gravel pits	In house valuation.	Depreciated replacement cost.

**d. The valuation process for level 3 fair value measurements**Buildings

Council engaged APV Valuers and Asset Management to conduct a revaluation of its buildings in 2017/18.

The majority of the buildings were valued using a depreciated replacement cost method however there was a small portion where a market value approach was used. The market value portion was considered to be minor compared to the total value of the building assets.

Roads, Bridges & Footpaths

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the road network including bridges and footpaths, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition rating were then used to calculate a value based on the current depreciated replacement cost of the assets.

Stormwater Drainage

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the stormwater network, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition ratings were then used to calculate a value based on the current depreciated replacement cost of the assets.

Water Supply

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the water supply network, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition ratings were then used to calculate a value based on the current depreciated replacement cost of the assets.

Sewerage Services

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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Council management has determined that as Council's engineering staff are experts available who can provide informed values of the sewerage services network, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition ratings were then used to calculate a value based on the current depreciated replacement cost of the assets.

#### Other Structures

Fair value at initial recognition that equals the transaction price has been used for all other assets.

This means that the values recorded are the purchase cost to Council at the time they were bought. This process was determined by Council management because the assets are consumed in a short period of time and the total value of the asset class is small in comparison to other asset classes. It was determined that other methods of valuation could be used but would result in an immaterial difference in value.

#### Other Assets

Fair value at initial recognition that equals the transaction price has been used for all other assets.

This means that the values recorded are the purchase cost to Council at the time they were bought. This process was determined by Council management because the assets are consumed in a short period of time and the total value of the asset class is small in comparison to other asset classes. It was determined that other methods of valuation could be used but would result in an immaterial difference in value.

#### Gravel Pits

Council management determined that as Council's engineering staff are experts available who can provide informed values of the rehabilitation costs of a gravel pit, then the advice and opinions of those experts should be used. The cost to rehabilitate Council's 79 gravel pits was determined, this cost was then inflated out by 3% per year until 2064 when it was determined the gravel pits would need to be rehabilitated. To determine the cost at a present value, the inflated cost is then discounted back to the current year using the bond rate at the time.

### (5) 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	1,093	1,194
Other long-term benefits	508	633
<b>Total</b>	<b>1,601</b>	<b>1,827</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>						
Electrical works.	1	116	–	7 day invoice.	–	–
Wages of employees.	2	64	–	Weekly pay cycle.	–	–
Function costs.	3	10	–	7 day invoice.	–	–
Earth moving and road works.	4	93	–	7 day invoice.	–	–
Meat provided for meals.	5	21	–	7 day invoice.	–	–
Lawn mowing and gardening services	6	27	–	7 day invoice.	–	–
Cabinet making works.	7	2	–	7 day invoice.	–	–
<b>2019</b>						
Electrical works.	1	69	–	7 day invoice.	–	–
Wages of employees.	2	65	–	Weekly pay cycle.	–	–



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

Note 23. Related party disclosures (continued)

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000	Ref					
Function costs.	3	21	–	7 day invoice.	–	–
Earth moving and road works.	4	228	–	7 day invoice.	–	–
Meat provided for meals.	5	25	–	7 day invoice.	–	–
Lawn mowing and gardening services	6	28	–	7 day invoice.	–	–
Cabinet making works.	7	42	–	7 day invoice.	–	–

- 1 Council contracted to a local business for electrical works. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.
- 2 Close family members are employed by Council under the Local Government Award. All were employed on an arms length basis.
- 3 Council used a local hotel for functions and entertaining purposes. The hotel owner is a KMP. All transactions are at arms length.
- 4 Council contracted to a local business to provide earth moving and road works. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.
- 5 Council used a local butcher to provide meat for meals for various community services. The business is owned by a related party to a KMP. All transactions are at arms length.
- 6 Council contracted to a local business to provide lawn mowing and gardening services. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.
- 7 Council contracted to a local business to provide cabinet making services. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24. Events occurring after the reporting date

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

### Note 25. Statement of developer contributions

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Council currently has no S94 developer contribution plans or S94 funds on hand from prior years.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26. Result by fund

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	5,472	435	506
User charges and fees	14,690	801	610
Interest and investment revenue	1,227	43	24
Other revenues	707	63	14
Grants and contributions provided for operating purposes	7,835	22	15
Grants and contributions provided for capital purposes	2,273	106	171
<b>Total income from continuing operations</b>	<b>32,204</b>	<b>1,470</b>	<b>1,340</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	15,808	158	240
Borrowing costs	168	14	4
Materials and contracts	5,657	495	423
Depreciation and amortisation	4,366	556	339
Other expenses	1,450	399	43
Net losses from the disposal of assets	433	–	–
<b>Total expenses from continuing operations</b>	<b>27,882</b>	<b>1,622</b>	<b>1,049</b>
<b>Operating result from continuing operations</b>	<b>4,322</b>	<b>(152)</b>	<b>291</b>
<b>Net operating result for the year</b>	<b>4,322</b>	<b>(152)</b>	<b>291</b>
<b>Net operating result attributable to each council fund</b>	<b>4,322</b>	<b>(152)</b>	<b>291</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>2,049</b>	<b>(258)</b>	<b>120</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 water and sewer activities which are listed separately.

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6,213	857	1,626
Investments	20,000	2,000	–
Receivables	3,011	137	75
Inventories	570	–	–
<b>Total current assets</b>	<b>29,794</b>	<b>2,994</b>	<b>1,701</b>
<b>Non-current assets</b>			
Receivables	404	69	48
Inventories	901	–	–
Infrastructure, property, plant and equipment	293,507	15,624	14,373
Right of use assets	129	–	–
<b>Total non-current assets</b>	<b>294,941</b>	<b>15,693</b>	<b>14,421</b>

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>TOTAL ASSETS</b>	<b>324,735</b>	<b>18,687</b>	<b>16,122</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	13,191	151	123
Income received in advance	264	44	–
Contract liabilities	472	–	–
Lease liabilities	129	–	–
Borrowings	595	53	16
Provisions	3,474	–	–
<b>Total current liabilities</b>	<b>18,125</b>	<b>248</b>	<b>139</b>
<b>Non-current liabilities</b>			
Borrowings	5,421	198	71
Provisions	826	–	–
<b>Total non-current liabilities</b>	<b>6,247</b>	<b>198</b>	<b>71</b>
<b>TOTAL LIABILITIES</b>	<b>24,372</b>	<b>446</b>	<b>210</b>
<b>Net assets</b>	<b>300,363</b>	<b>18,241</b>	<b>15,912</b>
<b>EQUITY</b>			
Accumulated surplus	89,800	11,080	6,296
Revaluation reserves	210,563	7,161	9,616
<b>Council equity interest</b>	<b>300,363</b>	<b>18,241</b>	<b>15,912</b>
<b>Total equity</b>	<b>300,363</b>	<b>18,241</b>	<b>15,912</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 water and sewer columns are restricted for use for these activities.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>\$ '000</b>			<b>Restated</b>		
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>2,344</b>	<b>7.22%</b>	0.91%	4.66%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>32,464</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>24,592</b>	<b>70.23%</b>	66.72%	62.39%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>35,014</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>25,925</b>	<b>4.04x</b>	4.24x	3.57x	>1.50x
Current liabilities less specific purpose liabilities	<b>6,421</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>7,791</b>	<b>9.90x</b>	8.96x	8.49x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>787</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>830</b>	<b>11.73%</b>	9.24%	6.54%	<10.00%
Rates, annual and extra charges collectible	<b>7,075</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>30,696</b>	<b>14.08 mths</b>	10.80 mths	10.35 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	<b>2,180</b>				

(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>		Water Indicators		Sewer Indicators		Benchmark
	2020	2019 Restated	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>8.29%</b>	0.45%	<b>(18.91)%</b>	(7.39)%	<b>10.27%</b>	22.21%	>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>68.61%</b>	64.42%	<b>91.29%</b>	89.45%	<b>86.12%</b>	98.54%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>4.04x</b>	4.24x	<b>12.07x</b>	25.58x	<b>12.24x</b>	55.92x	>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>9.12x</b>	7.53x	<b>22.29x</b>	28.75x	<b>115.75x</b>	144.25x	>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>13.53%</b>	10.52%	<b>0.00%</b>	0.00%	<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>12.94</b>	9.03	∞	∞	∞	∞	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths					mths

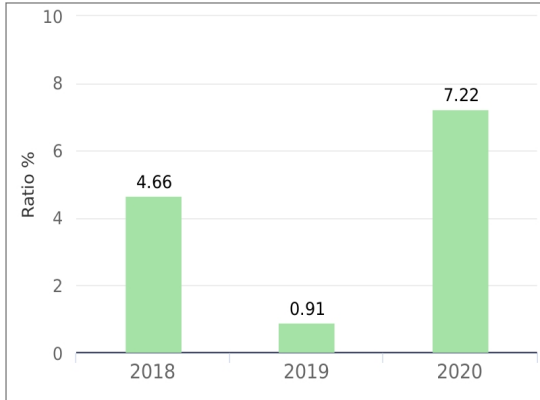
(1) - (2) Refer to Notes at Note 27(a) above.

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

Notes to the Financial Statements  
for the year ended 30 June 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 7.22%

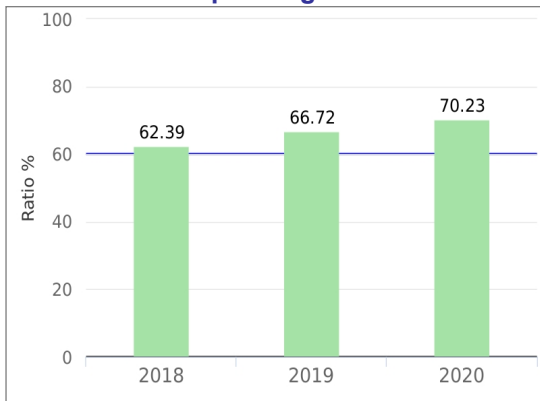
The operating performance ratio reflects the surplus result recorded for the year. This result was slightly better than was estimated and an improvement on the previous year.

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 70.23%

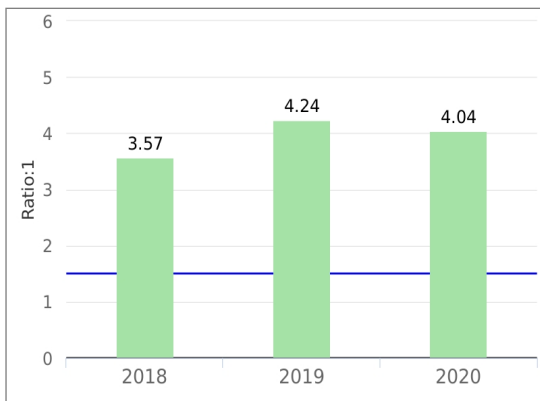
Council's own source revenue is continually above the 60% benchmark. The reason for the increase this year is due to higher than average contract work to the RMS and other Councils.

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 4.04x

The unrestricted current ratio of 3.98 for this year is above the benchmark and consistent with previous years.

Benchmark: — > 1.50x

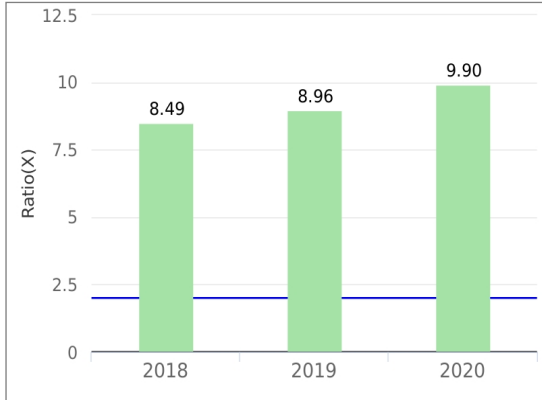
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 9.90x

The debt service cover ratio is above the benchmark and is consistent with the previous two years. The reduction from the 2017 year reflects an increase in borrowings for infrastructure works.

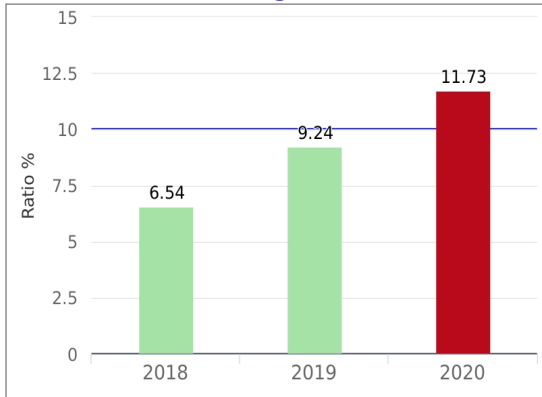
Benchmark: — > 2.00x

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 11.73%

Council's outstanding rates and annual charges percentage is just outside the benchmark and has increased in the last two years due to the effect of the drought and, recently, Covid-19 impacts.

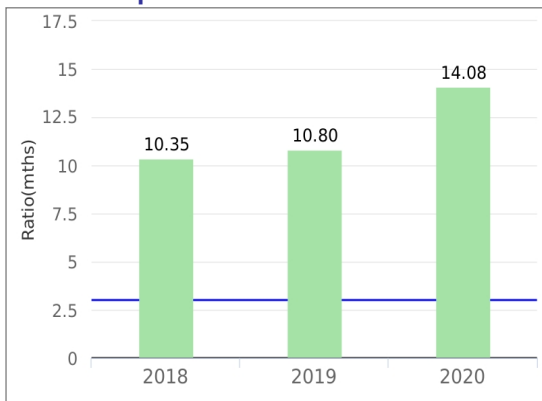
Benchmark: — < 10.00%

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 14.08 mths

Council's liquidity levels remain strong and is a focus when preparing financial plans.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark



## 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:**

15 Warren Road  
Gilgandra NSW 2827

**Contact details**

**Mailing address:**

PO Box 23  
Gilgandra NSW 2827

**Opening hours:**

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

**Telephone:** 02 68178800

**Facsimile:** 02 68472521

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

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

**Officers**

**General Manager**

David Neeves

**Responsible Accounting Officer**

Guy McAnally-Elwin

**Public Officer**

Neil Alchin

**Auditors**

Auditor General  
Audit Office of NSW  
Level 19, 201 Sussex Street  
Sydney NSW 2000

**Elected members**

**Mayor**

Doug Batten

**Councillors**

Ash Walker (Deputy Mayor)  
Sue Baker  
Gina Johnson (resigned 29 Nov 19)  
Brian Mockler  
Noel Mudford  
Deirdre Naden  
Greg Peart  
Noel Wrigley

**Other information**

**ABN:** 47 979 060 715



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

To the Councillors of Gilgandra Shire Council

**Opinion**

I have audited the accompanying financial statements of Gilgandra 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.



Unaib Jeffrey

Delegate of the Auditor-General for New South Wales

24 November 2020  
SYDNEY



Clr Doug Batten  
Mayor  
Gilgandra Shire Council  
PO Box 23  
GILGANDRA NSW 2827

Contact: Unaib Jeffrey  
Phone no: 02 9275 7450  
Our ref: D2027235/1729

24 November 2020

Dear Mayor

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

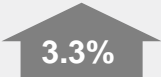

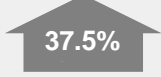
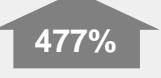
I have audited the general purpose financial statements (GPFS) of Gilgandra Shire Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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	6.4	6.2	 3.3%
Grants and contributions revenue	10.4	10.6	 1.9%
Operating result from continuing operations	4.4	3.2	 37.5%
Net operating result before capital grants and contributions	1.9	0.3	 477%

\* The 2019 comparatives have been restated to correct a prior period error. Note 15 of the financial statements provides details of the prior period error.

The Council's operating result from continuing operations (\$4.4 million including depreciation and amortisation expense of \$5.3 million) was \$1.2 million higher than the 2018–19 result. This was primarily due to an increase of \$2.5 million in user charges and fees and \$0.6 million in interest and investment income that were offset by an increase of \$1.3 million in materials and contracts expenses and \$0.2 million increase in depreciation and amortisation.

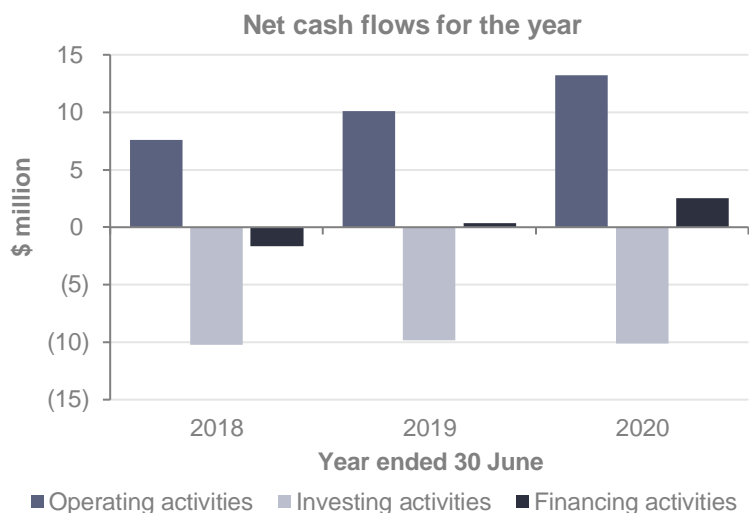
The net operating result before capital grants and contributions (\$1.9 million) was \$1.6 million higher than the 2018–19 result. The increase was mainly due to similar reasons mentioned above.

Rates and annual charges revenue (\$6.4million) increased by \$0.2 million (3.3 per cent) in 2019–20 due mostly to the rate peg increase of 2.7 per cent.

Grants and contributions revenue (\$10.4 million) decreased by \$0.2 million (1.9 per cent) in 2019–20 due to a small decrement in capital grants received during 2020 FY.

## STATEMENT OF CASH FLOWS

- The Council reported an increase in cash and cash equivalents from \$24.9 million at 30 June 2019 to \$30.7 million at 30 June 2020.
- Cash inflows from operating activities increased from 2018-19 mainly as a result of higher receipts from investment income and rates and user charges.
- Cash outflows used in investing activities increased mainly due to an increase in purchases of infrastructure, property, plant and equipment.
- Cash inflows from financing activities increased as a result of receipts from borrowings and advances during 2019-20.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	8.4	6.4	• External restrictions predominantly include specific purpose unexpended grants and water supply and sewerage service funds, which increased from 2019.
Internal restrictions	10.3	7.5	
Unrestricted	12.0	11.0	
<b>Cash and investments</b>	<b>30.7</b>	<b>24.9</b>	<ul style="list-style-type: none"> <li>• Internal restrictions increased due to Council policy or decisions for forward plans including the capital works program. These mostly include the financial assistance grants, funds for the aged and disabled, and employees' leave entitlement.</li> <li>• Unrestricted balances provide liquidity for day-to-day operations. These remained fairly consistent with last year.</li> </ul>

# PERFORMANCE

## Performance measures

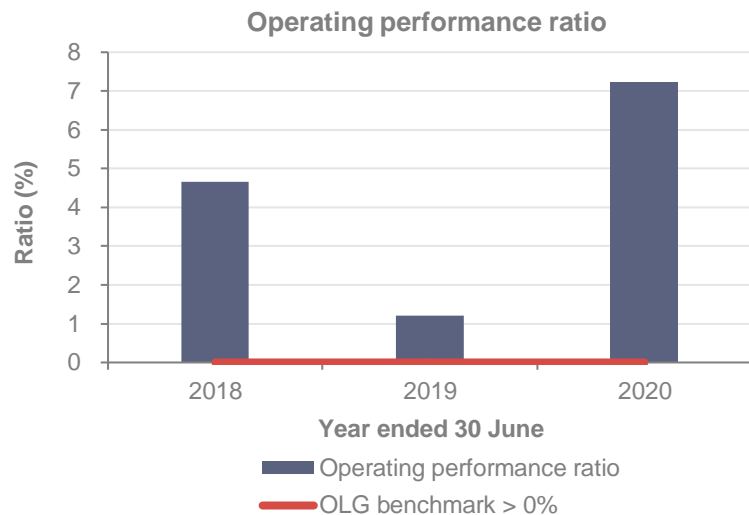
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

### 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 has exceeded the OLG benchmark for the past three years.

The increased ratio was consistent with the improved result before capital grants and contributions in 2019–20.

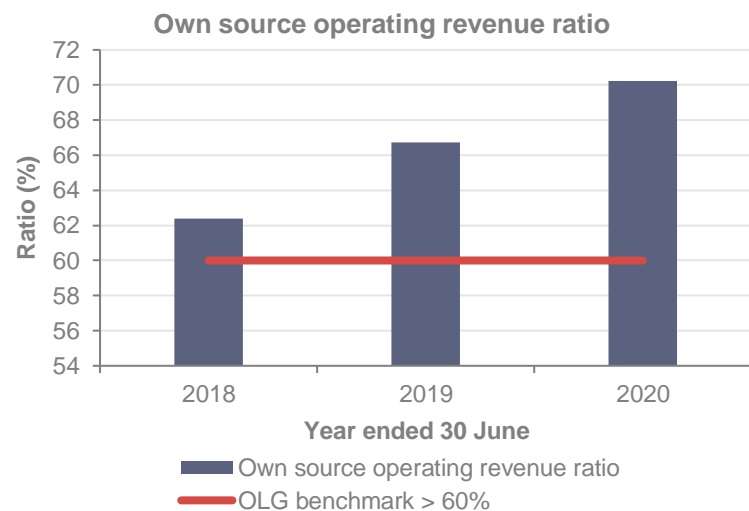


### Own source operating revenue ratio

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 has met the OLG benchmark for the past three years.

This result reflects the significance of rates and user charges as main source of revenue for Council.



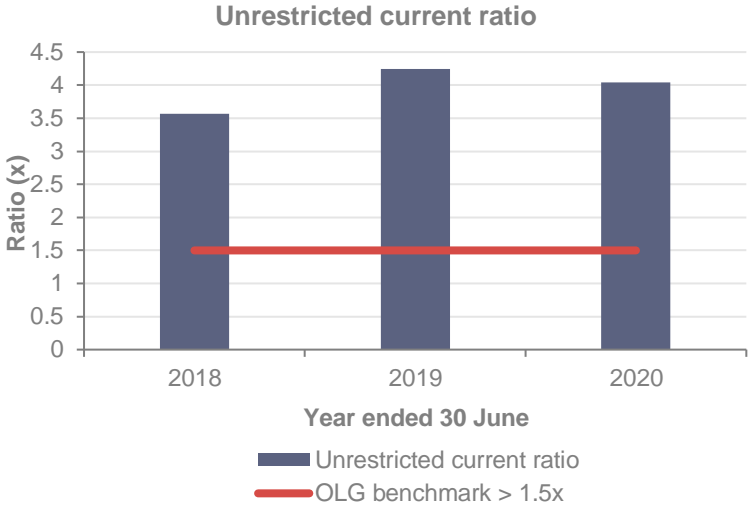


**Unrestricted current ratio**

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 has exceeded the OLG benchmark for the past three years.

This ratio indicates that Council currently has \$4.04 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities

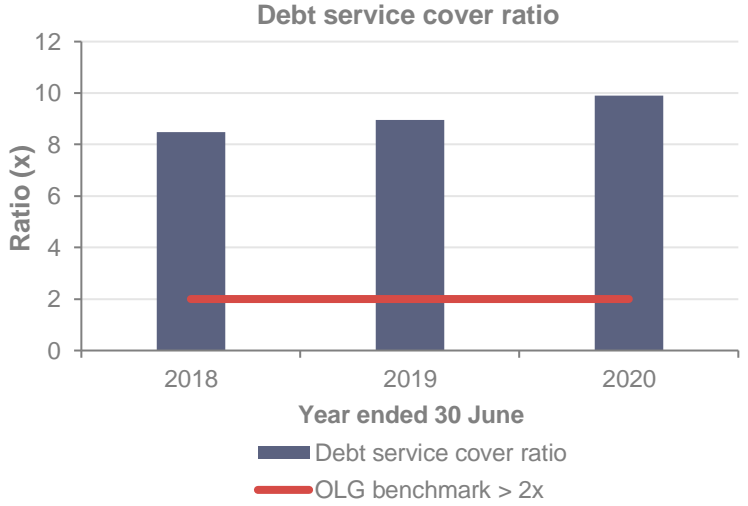


**Debt service cover ratio**

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 has exceeded the OLG benchmark for the past three years.

Council appears to be effectively monitoring its liquidity levels to ensure it can meet its borrowing costs when they fall due.

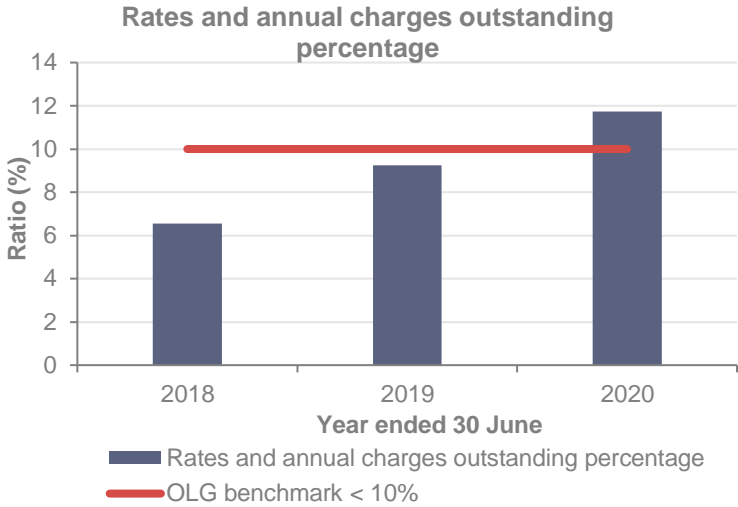


**Rates and annual charges outstanding percentage**

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 has not met the OLG benchmark for the current reporting period.

This ratio has been impacted primarily by the economic conditions resulting from the drought together with a smaller impact from the COVID-19 pandemic.

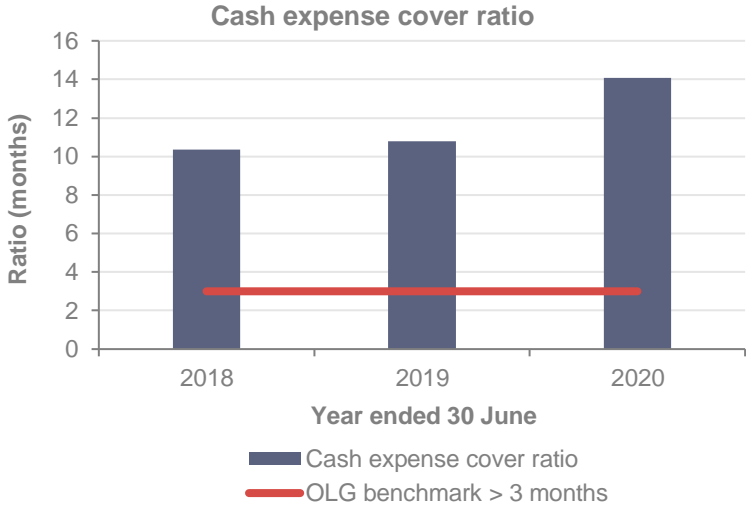


**Cash expense cover ratio**

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 has exceeded the OLG benchmark for the past three years.

This indicates that Council had the capacity to cover 14.08 months of cash expenditure without additional cash inflows at 30 June 2020.



**Infrastructure, property, plant and equipment renewals**

Council spent \$5.8 million on asset renewals in 2019-20 compared to \$4.6 million in 2018-19. Asset renewals are defined as the replacement of existing assets as opposed to the acquisition of new assets.

A short-term benchmark of Council's strategic asset management is to assess the rate at which Council's assets are being renewed against the rate at which they are depreciating. In 2019-20, asset renewals of \$5.8 million represented 110% of Council's \$5.2 million depreciation expense. This result was 20% higher than the 2018-19 result 90%.

Asset renewals in 2019-20 were carried out in accordance with Council's capital works program and were primarily related to road and building assets.

## 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 \$0.8 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 15.

#### **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 a right-of-use assets and lease liabilities of \$0.1 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 15.

## 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.



Unaib Jeffrey  
Delegate of the Auditor-General for New South Wales

cc: Mr David Neeves, General Manager  
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

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

## Special Purpose Financial Statements

for the year ended 30 June 2020

### 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 15 September 2020.



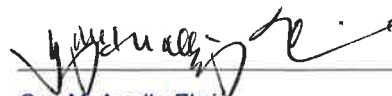
Doug Batten  
Mayor  
15 September 2020



Ash Walker  
Councillor  
15 September 2020



David Neeves  
General Manager  
15 September 2020



Guy McAnally-Elwin  
Responsible Accounting Officer  
15 September 2020

**Income Statement – Water Supply Business Activity**  
for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	435	413
User charges	801	799
Interest	43	62
Grants and contributions provided for non-capital purposes	22	24
Other income	63	15
<b>Total income from continuing operations</b>	<b>1,364</b>	<b>1,313</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	158	245
Borrowing costs	14	16
Materials and contracts	495	444
Depreciation, amortisation and impairment	556	541
Other expenses	399	164
<b>Total expenses from continuing operations</b>	<b>1,622</b>	<b>1,410</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(258)</b>	<b>(97)</b>
Grants and contributions provided for capital purposes	106	128
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(152)</b>	<b>31</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(152)</b>	<b>31</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(152)</b>	<b>31</b>
<b>Plus opening accumulated surplus</b>	18,259	17,986
<b>Plus/less: other adjustments (revaluations)</b>	134	242
<b>Closing accumulated surplus</b>	<b>18,241</b>	<b>18,259</b>
<b>Return on capital %</b>	(1.6)%	(0.5)%
<b>Subsidy from Council</b>	381	286
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(152)	31
Less: capital grants and contributions (excluding developer contributions)	(106)	(128)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>-</b>
<b>Potential dividend calculated from surplus</b>	<b>-</b>	<b>-</b>



**Income Statement – Sewerage Business Activity**  
for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	506	470
User charges	584	553
Liquid trade waste charges	26	25
Interest	24	30
Grants and contributions provided for non-capital purposes	15	16
Other income	14	–
<b>Total income from continuing operations</b>	<b>1,169</b>	<b>1,094</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	240	164
Borrowing costs	4	4
Materials and contracts	423	315
Depreciation, amortisation and impairment	339	330
Other expenses	43	38
<b>Total expenses from continuing operations</b>	<b>1,049</b>	<b>851</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>120</b>	<b>243</b>
Grants and contributions provided for capital purposes	171	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>291</b>	<b>243</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>291</b>	<b>243</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(33)	(67)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>258</b>	<b>176</b>
<b>Plus opening accumulated surplus</b>	<b>15,500</b>	<b>15,038</b>
<b>Plus/less: other adjustments (revaluations)</b>	<b>121</b>	<b>219</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	33	67
<b>Closing accumulated surplus</b>	<b>15,912</b>	<b>15,500</b>
<b>Return on capital %</b>	<b>0.9%</b>	<b>1.7%</b>
<b>Subsidy from Council</b>	<b>2</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	258	176
Less: capital grants and contributions (excluding developer contributions)	(171)	–
<b>Surplus for dividend calculation purposes</b>	<b>87</b>	<b>176</b>
<b>Potential dividend calculated from surplus</b>	<b>44</b>	<b>88</b>

## Income Statement – Carlginda Enterprises

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>Income from continuing operations</b>		
User charges	268	231
Other income	257	257
<b>Total income from continuing operations</b>	<b>525</b>	<b>488</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	348	368
Materials and contracts	67	86
Depreciation, amortisation and impairment	13	13
Other expenses	5	4
<b>Total expenses from continuing operations</b>	<b>433</b>	<b>471</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>92</b>	<b>17</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>92</b>	<b>17</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>92</b>	<b>17</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(25)	(5)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>67</b>	<b>12</b>
<b>Plus accumulated surplus</b>	<b>476</b>	<b>459</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	25	5
<b>Closing accumulated surplus</b>	<b>568</b>	<b>476</b>
<b>Return on capital %</b>	<b>116.5%</b>	<b>18.5%</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	67	–
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>67</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>34</b>	<b>–</b>

**Income Statement – Cooee Villa Units**  
for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>Income from continuing operations</b>		
User charges	343	327
Interest	22	34
Grants and contributions provided for non-capital purposes	–	9
Other income	235	274
<b>Total income from continuing operations</b>	<b>600</b>	<b>644</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	137	118
Borrowing costs	9	10
Materials and contracts	171	190
Depreciation, amortisation and impairment	232	226
Other expenses	36	32
<b>Total expenses from continuing operations</b>	<b>585</b>	<b>576</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>15</b>	<b>68</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>15</b>	<b>68</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>15</b>	<b>68</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(4)	(19)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>11</b>	<b>49</b>
<b>Plus accumulated surplus</b>	<b>5,519</b>	<b>5,451</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	4	19
<b>Closing accumulated surplus</b>	<b>5,534</b>	<b>5,519</b>
<b>Return on capital %</b>	<b>0.2%</b>	<b>0.7%</b>
<b>Subsidy from Council</b>	<b>81</b>	<b>80</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	11	–
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>11</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	857	658
Investments	2,000	2,000
Receivables	137	411
<b>Total current assets</b>	<b>2,994</b>	<b>3,069</b>
<b>Non-current assets</b>		
Receivables	69	48
Infrastructure, property, plant and equipment	15,624	15,516
<b>Total non-current assets</b>	<b>15,693</b>	<b>15,564</b>
<b>TOTAL ASSETS</b>	<b>18,687</b>	<b>18,633</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	151	42
Income received in advance	44	31
Borrowings	53	47
<b>Total current liabilities</b>	<b>248</b>	<b>120</b>
<b>Non-current liabilities</b>		
Borrowings	198	254
<b>Total non-current liabilities</b>	<b>198</b>	<b>254</b>
<b>TOTAL LIABILITIES</b>	<b>446</b>	<b>374</b>
<b><u>NET ASSETS</u></b>	<b><u>18,241</u></b>	<b><u>18,259</u></b>
<b>EQUITY</b>		
Accumulated surplus	11,080	11,232
Revaluation reserves	7,161	7,027
<b><u>TOTAL EQUITY</u></b>	<b><u>18,241</u></b>	<b><u>18,259</u></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	1,626	1,320
Receivables	75	78
<b>Total current assets</b>	<b>1,701</b>	<b>1,398</b>
<b>Non-current assets</b>		
Receivables	48	36
Infrastructure, property, plant and equipment	14,373	14,179
<b>Total non-current assets</b>	<b>14,421</b>	<b>14,215</b>
<b>TOTAL ASSETS</b>	<b>16,122</b>	<b>15,613</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	123	10
Borrowings	16	15
<b>Total current liabilities</b>	<b>139</b>	<b>25</b>
<b>Non-current liabilities</b>		
Borrowings	71	88
<b>Total non-current liabilities</b>	<b>71</b>	<b>88</b>
<b>TOTAL LIABILITIES</b>	<b>210</b>	<b>113</b>
<b>NET ASSETS</b>	<b>15,912</b>	<b>15,500</b>
<b>EQUITY</b>		
Accumulated surplus	6,296	6,005
Revaluation reserves	9,616	9,495
<b>TOTAL EQUITY</b>	<b>15,912</b>	<b>15,500</b>

## Statement of Financial Position – Carlginda Enterprises

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	473	362
Receivables	2	7
Inventories	14	16
<b>Total current assets</b>	<b>489</b>	<b>385</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	79	92
<b>Total non-current assets</b>	<b>79</b>	<b>92</b>
<b>TOTAL ASSETS</b>	<b>568</b>	<b>477</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1	1
<b>Total current liabilities</b>	<b>1</b>	<b>1</b>
<b>TOTAL LIABILITIES</b>	<b>1</b>	<b>1</b>
<b>NET ASSETS</b>	<b>567</b>	<b>476</b>
<b>EQUITY</b>		
Accumulated surplus	568	476
<b><u>TOTAL EQUITY</u></b>	<b><u>568</u></b>	<b><u>476</u></b>

## Statement of Financial Position – Cooee Villa Units

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,047	898
Receivables	2	–
<b>Total current assets</b>	<b>1,049</b>	<b>898</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	11,901	11,956
<b>Total non-current assets</b>	<b>11,901</b>	<b>11,956</b>
<b>TOTAL ASSETS</b>	<b>12,950</b>	<b>12,854</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	7,197	7,077
Borrowings	40	38
<b>Total current liabilities</b>	<b>7,237</b>	<b>7,115</b>
<b>Non-current liabilities</b>		
Borrowings	179	220
<b>Total non-current liabilities</b>	<b>179</b>	<b>220</b>
<b>TOTAL LIABILITIES</b>	<b>7,416</b>	<b>7,335</b>
<b>NET ASSETS</b>	<b>5,534</b>	<b>5,519</b>
<b>EQUITY</b>		
Accumulated surplus	1,528	1,513
Revaluation reserves	4,006	4,006
<b>TOTAL EQUITY</b>	<b>5,534</b>	<b>5,519</b>

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

### Note 1. Significant Accounting Policies

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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)

There are no business activities under this heading

##### Category 2

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

##### a. Water Supply

Comprising the whole of the operations and assets of the water supply systems servicing the town of Gilgandra and the village of Tooraweenah and is established as a separate fund.

##### b. Sewerage Services

Comprising the whole of the operations and assets of the sewerage service system servicing the town of Gilgandra and is established as a separate fund.



## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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

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#### c. Carlginda Enterprises

Comprising the whole of the operations and assets of Carlginda Enterprises which is carried out by Council in its own name. Carlginda Enterprises provides employment opportunities to people with intellectual and physical disabilities through collection and sale of recyclable waste.

#### d. Cooee Villa Units

Comprising the whole of the operations and assets of Cooee Villa Units which is carried out by Council in its own name. Cooee Villa Units provides 61 self contained units where residents live independently within a secure environment.

### Monetary amounts

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

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

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.

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

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

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

The rate applied of 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.

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

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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

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- 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**  
**Gilgandra Shire Council**

To the Councillors of Gilgandra Shire Council

## **Opinion**

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Carlinda Enterprises
- Coeee Villa Units.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2020, and their 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 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.

A handwritten signature in black ink, appearing to read 'Unaib Jeffrey', with a long, sweeping flourish extending to the right.

Unaib Jeffrey  
Delegate of the Auditor-General for New South Wales

24 November 2020  
SYDNEY

# Gilgandra 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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<b>Special Schedules</b>	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	4



Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Plus or minus adjustments			
Last year notional general income yield	a	5,077	4,942
Plus or minus adjustments <sup>2</sup>	b	3	5
<b>Notional general income</b>	c = a + b	<b>5,080</b>	<b>4,947</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)	132	134
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>5,212</b>	<b>5,081</b>
Plus (or minus) last year's carry forward total	l	12	(1)
Less valuation objections claimed in the previous year	m	(10)	(1)
<b>Sub-total</b>	n = (l + m)	<b>2</b>	<b>(2)</b>
<b>Total permissible income</b>	o = k + n	<b>5,214</b>	<b>5,079</b>
Less notional general income yield	p	5,209	5,077
<b>Catch-up or (excess) result</b>	q = o - p	<b>5</b>	<b>2</b>
Plus income lost due to valuation objections claimed <sup>3</sup>	r	-	10
<b>Carry forward to next year <sup>4</sup></b>	t = q + r + s	<b>5</b>	<b>12</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.
- (3) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (4) 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.

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					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
<b>(a) Report on Infrastructure Assets - Values</b>												
<b>Buildings</b>	Council Offices	–	–	43	42	957	1,744	0.0%	100.0%	0.0%	0.0%	0.0%
	Council Works Depot	397	3,000	32	41	1,846	2,107	0.0%	0.0%	40.0%	60.0%	0.0%
	Council Public Halls	–	–	15	18	1,765	3,570	0.0%	100.0%	0.0%	0.0%	0.0%
	Council Houses	–	–	75	71	4,332	4,857	50.0%	0.0%	50.0%	0.0%	0.0%
	Heritage Centre	–	–	54	55	1,092	2,072	0.0%	100.0%	0.0%	0.0%	0.0%
	Library	–	–	10	16	531	702	0.0%	100.0%	0.0%	0.0%	0.0%
	Public Conveniences	–	–	64	70	538	915	50.0%	50.0%	0.0%	0.0%	0.0%
	Medical Centres	–	–	10	75	1,150	1,507	25.0%	50.0%	25.0%	0.0%	0.0%
	Retirement Complex	–	–	266	319	18,735	24,363	10.0%	89.0%	1.0%	0.0%	0.0%
	Other Council Buildings	–	–	96	125	7,830	11,783	15.0%	68.0%	17.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>397</b>	<b>3,000</b>	<b>665</b>	<b>832</b>	<b>38,776</b>	<b>53,620</b>	<b>13.9%</b>	<b>72.7%</b>	<b>11.0%</b>	<b>2.4%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	–	–	585	629	3,643	7,123	10.0%	20.0%	70.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>585</b>	<b>629</b>	<b>3,643</b>	<b>7,123</b>	<b>10.0%</b>	<b>20.0%</b>	<b>70.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	–	–	930	820	160,354	203,244	47.0%	11.0%	29.0%	11.0%	2.0%
	Unsealed roads	2,487	2,487	2,276	1,576	89,651	94,510	47.0%	11.0%	29.0%	11.0%	2.0%
	Bridges	–	–	67	23	23,399	30,501	50.0%	25.0%	25.0%	0.0%	0.0%
	Other	–	–	–	–	(50,207)	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>2,487</b>	<b>2,487</b>	<b>3,273</b>	<b>2,419</b>	<b>223,197</b>	<b>328,255</b>	<b>47.3%</b>	<b>12.3%</b>	<b>28.6%</b>	<b>10.0%</b>	<b>1.8%</b>
<b>Water supply network</b>	Treatment	40	500	106	92	4,610	10,390	0.0%	0.0%	0.0%	0.0%	100.0%
	Bores	–	–	85	164	2,222	4,532	0.0%	0.0%	0.0%	0.0%	100.0%
	Reservoirs	–	–	16	4	1,970	3,647	0.0%	0.0%	0.0%	0.0%	100.0%
	Pipeline	–	–	91	119	6,684	12,287	0.0%	0.0%	0.0%	0.0%	100.0%
	<b>Sub-total</b>	<b>40</b>	<b>500</b>	<b>298</b>	<b>379</b>	<b>15,486</b>	<b>30,856</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Sewerage network</b>	Pumping Stations	306	916	90	132	3,957	7,131	0.0%	0.0%	92.0%	8.0%	0.0%
	Pipeline	87	117	49	105	9,276	13,642	20.0%	59.0%	19.0%	1.0%	1.0%
	Treatment	–	3,000	48	104	873	4,338	0.0%	0.0%	100.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>393</b>	<b>4,033</b>	<b>187</b>	<b>341</b>	<b>14,106</b>	<b>25,111</b>	<b>10.9%</b>	<b>32.1%</b>	<b>53.7%</b>	<b>2.8%</b>	<b>0.5%</b>

Report on Infrastructure Assets - Values (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					
<b>Stormwater drainage</b>	Stormwater drainage	116	297	69	16	1,712	5,845	0.0%	1.0%	95.0%	3.0%	1.0%
	<b>Sub-total</b>	<b>116</b>	<b>297</b>	<b>69</b>	<b>16</b>	<b>1,712</b>	<b>5,845</b>	<b>0.0%</b>	<b>1.0%</b>	<b>95.0%</b>	<b>3.0%</b>	<b>1.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>3,433</b>	<b>10,317</b>	<b>5,077</b>	<b>4,616</b>	<b>296,920</b>	<b>450,810</b>	<b>36.8%</b>	<b>19.7%</b>	<b>27.5%</b>	<b>7.7%</b>	<b>8.2%</b>

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>\$ '000</b>			<b>Restated</b>		
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>6,062</b>	<b>151.93%</b>	117.14%	138.64%	>=100.00%
Depreciation, amortisation and impairment	<b>3,990</b>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>3,433</b>	<b>1.10%</b>	1.30%	2.14%	<2.00%
Net carrying amount of infrastructure assets	<b>311,160</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>4,616</b>	<b>90.92%</b>	94.00%	120.47%	>100.00%
Required asset maintenance	<b>5,077</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>10,317</b>	<b>2.29%</b>	1.36%	2.15%	
Gross replacement cost	<b>450,810</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

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019 Restated	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>	<b>164.79%</b>	139.91%	<b>96.54%</b>	36.89%	<b>123.35%</b>	34.46%	>=100.00%
Depreciation, amortisation and impairment							
<b>Infrastructure backlog ratio <sup>1</sup></b>							
Estimated cost to bring assets to a satisfactory standard	<b>1.07%</b>	1.13%	<b>0.26%</b>	3.04%	<b>2.79%</b>	2.29%	<2.00%
Net carrying amount of infrastructure assets							
<b>Asset maintenance ratio</b>							
Actual asset maintenance	<b>84.84%</b>	91.97%	<b>127.18%</b>	115.22%	<b>182.35%</b>	109.34%	>100.00%
Required asset maintenance							
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council	<b>1.46%</b>	1.35%	<b>1.62%</b>	1.56%	<b>16.06%</b>	1.31%	
Gross replacement cost							

(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.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### Gilgandra Shire Council

To the Councillors of Gilgandra Shire Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Gilgandra 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.

A handwritten signature in black ink, appearing to read 'Unaib Jeffrey', with a long, sweeping flourish extending to the right.

Unaib Jeffrey  
Delegate of the Auditor-General for New South Wales

24 November 2020  
SYDNEY