



# ANNEXURE ONE

## FINANCIAL STATEMENTS

# Narromine Shire Council

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

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*To enhance our Shire's image, lifestyle and environment  
through effective leadership, community involvement and  
commitment to service.*



# Narromine Shire Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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*To enhance our Shire's image, lifestyle and environment  
through effective leadership, community involvement and  
commitment to service.*



## General Purpose Financial Statements

for the year ended 30 June 2020

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### Overview

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

124 Dandaloo Street  
Narromine NSW 2821

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: [www.narromine.nsw.gov.au](http://www.narromine.nsw.gov.au).

# Narromine 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

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

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

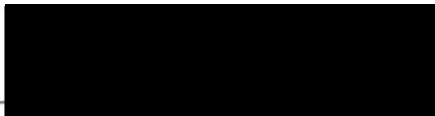
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

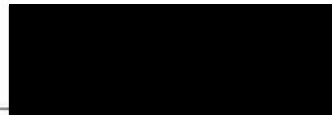
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

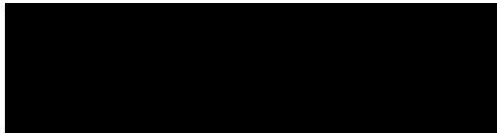
Signed in accordance with a resolution of Council made on 09 September 2020.



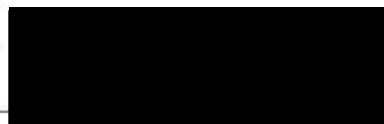
Cr Craig Davies  
**Mayor**  
09 September 2020



Cr Dawn Collins  
**Councillor**  
09 September 2020



Jane Redden  
**General Manager**  
09 September 2020



John Sevil  
**Responsible Accounting Officer**  
09 September 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Income from continuing operations</b>				
8,870	Rates and annual charges	3a	9,037	8,857
2,617	User charges and fees	3b	2,849	3,063
689	Other revenues	3c	296	472
7,691	Grants and contributions provided for operating purposes	3d,3e	7,845	7,649
1,501	Grants and contributions provided for capital purposes	3d,3e	3,982	3,390
614	Interest and investment income	4	(130)	1,010
–	Net gains from the disposal of assets	6	514	43
210	Rental income	11c	197	–
–	Net share of interests in joint ventures and associates using the equity method	16	26	10
<b>22,192</b>	<b>Total income from continuing operations</b>		<b>24,616</b>	<b>24,494</b>
<b>Expenses from continuing operations</b>				
7,500	Employee benefits and on-costs	5a	6,959	6,624
124	Borrowing costs	5b	93	93
5,456	Materials and contracts	5c	4,869	5,480
5,536	Depreciation and amortisation	5d	5,651	5,850
1,994	Other expenses	5e	2,598	2,543
–	Revaluation decrement / impairment of IPP&E	5d	29	249
<b>20,610</b>	<b>Total expenses from continuing operations</b>		<b>20,199</b>	<b>20,839</b>
<b>1,582</b>	<b>Operating result from continuing operations</b>		<b>4,417</b>	<b>3,655</b>
<b>1,582</b>	<b>Net operating result for the year</b>		<b>4,417</b>	<b>3,655</b>
1,582	Net operating result attributable to council		4,417	3,655
<b>81</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>435</b>	<b>265</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 Income Statement should be read in conjunction with the accompanying notes.

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>4,417</b>	<b>3,655</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	(6,082)	1,194
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(6,082)</b>	<b>1,194</b>
<b>Total other comprehensive income for the year</b>		<b>(6,082)</b>	<b>1,194</b>
<b>Total comprehensive income for the year</b>		<b>(1,665)</b>	<b>4,849</b>
Total comprehensive income attributable to Council		(1,665)	4,849

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

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



## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	7,252	1,659
Investments	7(b)	17,681	22,573
Receivables	8	1,817	1,921
Inventories	9a	1,387	854
Other	9b	92	90
<b>Total current assets</b>		<b>28,229</b>	<b>27,097</b>
<b>Non-current assets</b>			
Receivables	8	351	512
Inventories	9a	4,707	–
Infrastructure, property, plant and equipment	10	308,134	309,001
Right of use assets		28	–
Investments accounted for using the equity method	16	324	298
<b>Total non-current assets</b>		<b>313,544</b>	<b>309,811</b>
<b>Total assets</b>		<b>341,773</b>	<b>336,908</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	12	4,063	1,558
Income received in advance	12	–	227
Lease liabilities		13	–
Borrowings	12	957	390
Provisions	13	1,551	1,576
<b>Total current liabilities</b>		<b>6,584</b>	<b>3,751</b>
<b>Non-current liabilities</b>			
Lease liabilities		15	–
Borrowings	12	4,812	2,858
Provisions	13	1,922	194
<b>Total non-current liabilities</b>		<b>6,749</b>	<b>3,052</b>
<b>Total liabilities</b>		<b>13,333</b>	<b>6,803</b>
<b>Net assets</b>		<b>328,440</b>	<b>330,105</b>
<b>EQUITY</b>			
Accumulated surplus	14	140,762	136,345
Revaluation reserves	14	187,678	193,760
<b>Council equity interest</b>		<b>328,440</b>	<b>330,105</b>
<b>Total equity</b>		<b>328,440</b>	<b>330,105</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
Opening balance		136,345	193,760	330,105	132,690	192,566	325,256
Net operating result for the year		4,417	–	4,417	3,655	–	3,655
<b>Restated net operating result for the period</b>		<b>4,417</b>	<b>–</b>	<b>4,417</b>	<b>3,655</b>	<b>–</b>	<b>3,655</b>
<b>Other comprehensive income</b>							
– Gain / (loss) on revaluation of IPP&E	10	–	(6,082)	(6,082)	–	1,194	1,194
<b>Other comprehensive income</b>		<b>–</b>	<b>(6,082)</b>	<b>(6,082)</b>	<b>–</b>	<b>1,194</b>	<b>1,194</b>
<b>Total comprehensive income</b>		<b>4,417</b>	<b>(6,082)</b>	<b>(1,665)</b>	<b>3,655</b>	<b>1,194</b>	<b>4,849</b>
<b>Equity – balance at end of the reporting period</b>		<b>140,762</b>	<b>187,678</b>	<b>328,440</b>	<b>136,345</b>	<b>193,760</b>	<b>330,105</b>

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

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

## Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
8,805	Rates and annual charges		9,410	8,803
2,612	User charges and fees		2,681	2,745
627	Investment and interest revenue received		530	899
9,192	Grants and contributions		11,827	11,566
–	Bonds, deposits and retention amounts received		11	5
922	Other		504	302
<b>Payments:</b>				
(7,500)	Employee benefits and on-costs		(6,986)	(6,815)
(5,456)	Materials and contracts		(4,355)	(4,959)
(124)	Borrowing costs		(92)	(92)
(1,994)	Other		1,378	(2,348)
<u>7,084</u>	<b>Net cash provided (or used in) operating activities</b>	15b	<u>14,908</u>	<u>10,106</u>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
332	Sale of investment securities		18,440	24,000
735	Sale of real estate assets		–	–
–	Sale of infrastructure, property, plant and equipment		63	230
<b>Payments:</b>				
–	Purchase of investment securities		(13,360)	(22,987)
(10,256)	Purchase of infrastructure, property, plant and equipment		(11,583)	(10,965)
(3,940)	Purchase of real estate assets		(5,235)	(129)
–	Purchase of intangible assets		(161)	–
<u>(13,129)</u>	<b>Net cash provided (or used in) investing activities</b>		<u>(11,836)</u>	<u>(9,851)</u>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
3,040	Proceeds from borrowings and advances		3,040	752
<b>Payments:</b>				
(982)	Repayment of borrowings and advances		(519)	(383)
<u>2,058</u>	<b>Net cash flow provided (used in) financing activities</b>		<u>2,521</u>	<u>369</u>
<u>(3,987)</u>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>5,593</u>	<u>624</u>
23,271	Plus: cash and cash equivalents – beginning of year	15a	1,659	1,035
<u>19,284</u>	<b>Cash and cash equivalents – end of the year</b>	15a	<u>7,252</u>	<u>1,659</u>
–	plus: Investments on hand – end of year	7(b)	17,681	22,573
<u>19,284</u>	<b>Total cash, cash equivalents and investments</b>		<u>24,933</u>	<u>24,232</u>

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

The above Statement of 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 11 November 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 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) estimated tip remediation provisions – refer Note 13
- (iii) employee benefit provisions – refer Note 13.

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### (b) The Trust Fund

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

#### Goods and Services Tax (GST)

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

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

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

#### Volunteer services

Volunteer services are not recognised as they are not material, would not have otherwise been purchased if not donated nor can they be reliably measured.

#### 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.

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

##### **AASB 1059 Service Concession Arrangements: Grantors**

##### **AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059**

##### **AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059**

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on AASB 13 Fair Value Measurement and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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**Council does not expect any material impact to future financial statements as we do not generally enter into service concession arrangements.**

This standard has an effective date for the 30 June 2021 reporting period.

**AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**  
**AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128**  
**AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections**

The standard amendments address an acknowledged inconsistency between the requirements in AASB10 and those in AASB128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

These amendments will only impact Council where there has been a sale or contribution of assets between Council and any Joint Venture or Associate.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

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

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 14.

#### **COVID-19 implications on financial reporting**

The Office of Local Government, NSW Treasury and the Australian Securities and Investments Commission each issued guidance on areas to be considered when preparing financial statements for the year ended 30 June 2020. The areas Council assessed were impairment of assets, contracts, asset fair values, employee benefits provisions, revenue, liquidity and going concern.

The impact on Council's financial statements of COVID-19 restrictions were found to be immaterial.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Governance	63	142	1,807	1,059	(1,744)	(917)	–	58	–	–
Administration	210	251	1,253	2,481	(1,043)	(2,230)	–	–	9,750	26,830
Public Order & Safety	184	140	455	559	(271)	(419)	–	–	265	271
Environment & Health	236	188	740	326	(504)	(138)	115	116	1,245	1,328
Community & Cultural Services	422	319	966	1,681	(544)	(1,362)	313	117	429	408
Planning & Development	2	164	256	284	(254)	(120)	–	–	173	173
Waste Management	1,868	1,712	1,841	1,548	27	164	29	–	950	914
Infrastructure	7,602	5,662	6,522	7,339	1,080	(1,677)	5,421	6,141	232,579	240,094
Recreational Facilities	1,292	142	2,245	1,985	(953)	(1,843)	198	7	20,350	19,122
Economic Development	782	36	701	338	81	(302)	756	25	64	56
Family Day Care	–	–	–	–	–	–	–	–	–	236
Water Supplies	3,303	2,005	2,118	1,971	1,185	34	18	15	17,032	21,040
Sewerage Services	1,576	1,542	1,293	1,268	283	274	–	–	18,689	25,922
General Purpose Income	7,076	12,181	–	–	7,076	12,181	–	3,038	–	–
Joint Ventures	–	10	–	–	–	10	–	–	324	298
Other	–	–	2	–	(2)	–	3,727	(23)	39,923	216
<b>Total functions and activities</b>	<b>24,616</b>	<b>24,494</b>	<b>20,199</b>	<b>20,839</b>	<b>4,417</b>	<b>3,655</b>	<b>10,577</b>	<b>9,494</b>	<b>341,773</b>	<b>336,908</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, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

#### Administration

- Executive services - provision of effective and efficient support to councillors, Council and the community
- Legal advice and services for Council, its delegates and officers, procure adequate and appropriate insurance coverage at a minimum cost, manage claims against Council and manage litigation by and against Council
- Provision of management accounting, financial reporting, rates, payroll, creditors, accounts receivable, cashing, debt recovery and investments
- Computing and support services to Council
- Management and improvement of the quality, performance, opportunities & safety conditions of Council's staff
- Civic administration building.

#### Public Order & Safety

- Co-operation and liaison with the Rural Fire Service and other Emergency Service organisations.

#### Environment & Health

- Protection of the environment, its enhancement and the promotion of environmental sustainability
- Maintenance of the health standards and safety of premises that are accessible to and impact upon the community
- Development of an innovative best practice policy to control the incidence of noxious plants
- Companion animal management and issues in relation to straying livestock.

#### Community & Cultural Services

- Provision of community, cultural and educational services and facilities to enhance the community's way of life
- Provision of programs and services for young people between 12-24 years of age
- Active participation in and co-operation with community organisations in the delivery of Aged & Disability Services
- Provision for the development and management of a range of community facilities
- Provision of effective public library lending, information and referral services
- Provision of quality cemetery services and memorial facilities
- Advocate for a strong cultural role in community revitalisation and identity by the encouragement & promotion of local historical, cultural and art organisations and activities.

#### Planning & Development

- Creation of a quality environment for the community in which land use and development is planned and assessed and the social, environmental, economic, agricultural, heritage and physical wellbeing of the community is enhanced and protected
- Planning the Shire's future whilst embracing the principles of Ecologically Sustainable Development
- Assessment and determination of development applications
- Regulatory inspections.

#### Waste Management

- Effective management of waste collection, minimise waste whilst encouraging commercial and residential recycling
- Collection & recycling
- Disposal.

#### Infrastructure

- Provision of well constructed, maintained and functional roads, drains, public buildings and associated engineering structures; including operational support, construction and maintenance, design, stormwater management and aerodromes.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### Recreational Facilities

- Provision of equitable access to social, cultural, sporting and recreational services and facilities
- Parks, playing fields and reserves
- Recreational buildings and infrastructure
- Swimming Pools.

#### Economic Development

- Development and assistance in the implementation of strategies, programs and policies that will provide employment and a positive environment for the local economy
- Tourism & area promotion
- Real estate development
- Saleyards and markets
- External partnerships
- Camping areas.

#### Water Supplies

- Provision of a cost effective, environmentally sensitive and ecologically sustainable water supply service including business plan, service delivery, customer service, demand management, infrastructure management.

#### Sewerage Services

- Provision of a cost effective, environmentally sensitive & ecologically sustainable sewerage service. Including business plan, service delivery, customer service, demand management, infrastructure management.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations

\$ '000	2020	2019
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	1,416	1,455
Farmland	3,338	3,248
Mining	282	274
Business	828	770
Less: pensioner rebates (mandatory)	(74)	(72)
<b>Rates levied to ratepayers</b>	<b>5,790</b>	<b>5,675</b>
Pensioner rate subsidies received	81	40
<b>Total ordinary rates</b>	<b>5,871</b>	<b>5,715</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	1,178	1,109
Stormwater management services	52	52
Water supply services	606	636
Sewerage services	1,087	1,096
Waste management services (non-domestic)	198	203
Less: pensioner rebates (mandatory)	(22)	(22)
<b>Annual charges levied</b>	<b>3,099</b>	<b>3,074</b>
Pensioner subsidies received:		
– Water	21	21
– Sewerage	20	20
– Domestic waste management	26	27
<b>Total annual charges</b>	<b>3,166</b>	<b>3,142</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>9,037</b>	<b>8,857</b>

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

**Accounting policy for rates and charges**

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

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government. Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Water supply services	1,265	1,283
Sewerage services	349	377
Waste management services (non-domestic)	166	189
Other	1	–
<b>Total specific user charges</b>	<b>1,781</b>	<b>1,849</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	97	96
Private works – section 67	234	315
Registration fees	9	12
Regulatory fees	18	16
Section 10.7 certificates (EP&A Act)	19	21
Section 603 certificates	10	10
Other	3	2
Impounding fees	1	2
<b>Total fees and charges – statutory/regulatory</b>	<b>391</b>	<b>474</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Cemeteries	82	86
Community centres	–	5
Gravel pits	182	288
Recycling income (non-domestic)	199	66
Saleyards	–	20
Swimming centres	86	70
Waste disposal tipping fees	30	94
Water connection fees	6	8
Showgrounds	37	38
Sport and fitness centre	49	63
Other	6	2
<b>Total fees and charges – other</b>	<b>677</b>	<b>740</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>2,849</b>	<b>3,063</b>

**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	2020	2019
<b>(c) Other revenues</b>		
Rental income – other council properties (2019 only)	–	214
Legal fees recovery – rates and charges (extra charges)	15	21
Diesel rebate	59	63
Insurance claims recoveries	8	4
Sales – general	53	–
Insurance rebates	56	56
Other	105	114
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>296</u></b>	<b><u>472</u></b>

**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.

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	1,472	1,492	–	–
Financial assistance – local roads component	729	718	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	1,559	1,547	–	–
Financial assistance – local roads component	775	745	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	46	–	–	–
<b>Total general purpose</b>	<b>4,581</b>	<b>4,502</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	21	–	–	15
– Domestic waste management	26	–	–	11
– Other	20	–	–	86
Water supplies	–	–	1,129	15
Bushfire and emergency services	116	116	–	–
Community centres	–	–	212	350
Economic development	150	–	606	60
Environmental programs	–	–	–	58
Heritage and cultural	–	1	–	–
Library	79	31	–	–
LIRS subsidy	–	–	53	62
Noxious weeds	115	61	–	–
Recreation and culture	–	–	285	802
Street lighting	46	46	–	–
Traffic route subsidy	–	–	77	76
Transport (roads to recovery)	1,361	1,105	–	–
Transport (other roads and bridges funding)	–	46	598	812
Community infrastructure grant	84	276	869	960
Other	7	3	142	–
<b>Total specific purpose</b>	<b>2,025</b>	<b>1,685</b>	<b>3,971</b>	<b>3,307</b>
<b>Total grants</b>	<b>6,606</b>	<b>6,187</b>	<b>3,971</b>	<b>3,307</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	4,565	4,475	47	–
– State funding	2,041	1,712	3,924	3,307
	<b>6,606</b>	<b>6,187</b>	<b>3,971</b>	<b>3,307</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>					
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.12 – fixed development consent levies		9	33	–	–
S 64 – sewerage service contributions		6	–	–	–
<b>Total developer contributions – cash</b>		<b>15</b>	<b>33</b>	<b>–</b>	<b>–</b>
<b>Total developer contributions</b>	24	<b>15</b>	<b>33</b>	<b>–</b>	<b>–</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Dedications – subdivisions (other than by s7.11)		136	134	–	–
Health and safety		–	–	4	–
Recreation and culture		–	–	5	6
RMS contributions (regional roads, block grant)		998	1,199	–	77
Other		54	49	2	–
Employment and training		–	6	–	–
Motor vehicle leaseback		36	41	–	–
<b>Total other contributions – cash</b>		<b>1,224</b>	<b>1,429</b>	<b>11</b>	<b>83</b>
<b>Total other contributions</b>		<b>1,224</b>	<b>1,429</b>	<b>11</b>	<b>83</b>
<b>Total contributions</b>		<b>1,239</b>	<b>1,462</b>	<b>11</b>	<b>83</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>7,845</b>	<b>7,649</b>	<b>3,982</b>	<b>3,390</b>

**Accounting policy for grants and contributions****Accounting policy from 1 July 2019****Grant income under AASB 15**

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 milestones such as as executing the agreement, providing reports and expending amounts within agreed timeframes. 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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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>		
Operating grants recognised as income in a previous reporting period	3,739	2,553
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	2,334	2,287
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	(2,139)	(1,101)
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	–	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>3,934</b>	<b>3,739</b>

\$ '000	AASB 15 2020	AASB 1058 2020
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**(g) Disaggregation of material revenue streams**

The following shows the revenue recognition pattern for the material revenue streams of Council.

**Revenue recognition at a point in time**

Rates and annual charges	9,037	–
Financial assistance grants	–	4,535
User charges and fees	2,849	–
Grant revenue and non-developer contributions	1,714	2,511
Developer contributions	–	9
	<b>13,600</b>	<b>7,055</b>

**Revenue recognised over time**

Grant revenue	36	–
Grants to acquire or construct Council controlled assets	3,061	–
	<b>3,097</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## 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)	82	82
– Cash and investments	(606)	425
Distribution income (TCorp)	941	237
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	(547)	266
<b>Accounting policy for interest and investment revenue</b>		

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

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

## Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	5,928	5,638
Travel expenses	16	29
Employee leave entitlements (ELE)	846	547
Superannuation	637	731
Workers' compensation insurance	315	229
Fringe benefit tax (FBT)	26	35
Training costs (other than salaries and wages)	130	134
Sick leave insurance	4	4
Protective clothing	15	20
Other	36	22
<b>Total employee costs</b>	<b>7,953</b>	<b>7,389</b>
Less: capitalised costs	(994)	(765)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>6,959</b>	<b>6,624</b>
Number of 'full-time equivalent' employees (FTE) at year end	77	79

**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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on loans	79	93
Other debts	10	–
<b>Total interest bearing liability costs</b>	<b>89</b>	<b>93</b>
<b>Total interest bearing liability costs expensed</b>	<b>89</b>	<b>93</b>
Discount adjustments relating to movements in provisions (other than ELE)	4	–
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>93</b>	<b>93</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	3,103	3,083
Contractor and consultancy costs	1,561	2,215
Auditors remuneration <sup>2</sup>	120	81
<b>Legal expenses:</b>		
Expenses from leases of low value assets (2020 only)	29	–
Expenses from Peppercorn leases (2020 only)	–	–
– Legal expenses: other	19	30
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	37
Other	37	34
<b>Total materials and contracts</b>	<b>4,869</b>	<b>5,480</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>4,869</b>	<b>5,480</b>

**2. Auditor remuneration**

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

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

Audit and review of financial statements	104	73
<b>Remuneration for audit and other assurance services</b>	<b>104</b>	<b>73</b>
<b>Total Auditor-General remuneration</b>	<b>104</b>	<b>73</b>

**Non NSW Auditor-General audit firms****(ii) Non-assurance services**

Benchmarking advice	16	8
<b>Remuneration for non-assurance services</b>	<b>16</b>	<b>8</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>16</b>	<b>8</b>
<b>Total Auditor remuneration</b>	<b>120</b>	<b>81</b>

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		471	437
Office equipment		68	73
Furniture and fittings		8	11
<b>Infrastructure:</b>	10		
– Buildings – non-specialised		188	185
– Buildings – specialised		974	976
– Other structures		157	116
– Roads		1,708	2,280
– Bridges		212	240
– Footpaths		43	78
– Stormwater drainage		236	203
– Water supply network		534	483
– Sewerage network		408	439
– Swimming pools		151	50
– Other open space/recreational assets		–	130
– Other infrastructure		194	11
<b>Right of use assets</b>	11	–	–
<b>Other assets:</b>			
– Aerodrome		167	138
Intangible assets		132	–
<b>Total depreciation and amortisation costs</b>		<b>5,651</b>	<b>5,850</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>	10		
– Buildings – specialised		–	116
– Other infrastructure		–	8
Intangible assets		29	125
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>29</b>	<b>249</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<b>5,680</b>	<b>6,099</b>

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

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

**Impairment of non-financial assets**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(e) Other expenses</b>		
Advertising	88	78
Bad and doubtful debts	40	57
Computer software charges	138	112
Contributions/levies to other levels of government	–	–
– Macquarie regional library	383	381
– NSW fire brigade levy	35	32
– NSW rural fire service levy	280	223
Councillor expenses – mayoral fee	27	26
Councillor expenses – councillors' fees	108	107
Councillors' expenses (incl. mayor) – other (excluding fees above)	40	43
Donations, contributions and assistance to other organisations (Section 356)	60	58
Electricity and heating	427	395
Insurance	421	383
Office expenses (including computer expenses)	62	58
Street lighting	155	201
Subscriptions and publications	120	99
Telephone and communications	84	55
Other	130	235
<b>Total other expenses</b>	<b>2,598</b>	<b>2,543</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>Plant and equipment</b>			
	10		
Proceeds from disposal – plant and equipment		63	230
Less: carrying amount of plant and equipment assets sold/written off		(284)	(187)
<b>Net gain/(loss) on disposal</b>		<b>(221)</b>	<b>43</b>
<b>Investments</b>			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		785	24,000
Less: carrying amount of investments sold/redeemed/matured		(50)	(24,000)
<b>Net gain/(loss) on disposal</b>		<b>735</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>514</b>	<b>43</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	7,252	1,659
<b>Total cash and cash equivalents</b>	<u>7,252</u>	<u>1,659</u>

**Accounting policy for cash and cash equivalents**

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

## Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	17,681	–	5,573	–
b. 'Financial assets at amortised cost'	–	–	17,000	–
<b>Total Investments</b>	<u>17,681</u>	<u>–</u>	<u>22,573</u>	<u>–</u>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<u>24,933</u>	<u>–</u>	<u>24,232</u>	<u>–</u>
<b>Financial assets at fair value through the profit and loss</b>				
Managed funds	17,681	–	5,523	–
Unlisted equity securities	–	–	50	–
<b>Total</b>	<u>17,681</u>	<u>–</u>	<u>5,573</u>	<u>–</u>
<b>Financial assets at amortised cost</b>				
Long term deposits	–	–	17,000	–
<b>Total</b>	<u>–</u>	<u>–</u>	<u>17,000</u>	<u>–</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### Accounting policy for investments

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

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

#### Financial assets

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

#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

#### Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in New South Wales Treasury Corporation (TCorp) Managed Funds in the Statement of Financial Position.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	24,933	–	24,232	–
<b>attributable to:</b>				
External restrictions	11,560	–	11,602	–
Internal restrictions	8,561	–	8,311	–
Unrestricted	4,812	–	4,319	–
	24,933	–	24,232	–

\$ '000	2020	2019
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## Details of restrictions

**External restrictions – included in liabilities**

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

**External restrictions – other**

Developer contributions – general	237	299
Developer contributions – water fund	144	144
Developer contributions – sewer fund	83	77
Specific purpose unexpended grants (recognised as revenue) – general fund	1,600	1,452
Water supplies	1,317	2,151
Sewerage services	7,114	6,387
Board of control	135	142
OROC	30	38
OROC – Unexpended Grants	70	70
Domestic waste management	825	842
Street Lighting - Special Purpose loan	5	–
<b>External restrictions – other</b>	<b>11,560</b>	<b>11,602</b>
<b>Total external restrictions</b>	<b>11,560</b>	<b>11,602</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>Internal restrictions</b>		
Alkane community contributions	138	106
Alkane environmental monitoring	114	92
Alkane Tomingley water tank project	35	80
Carry over works	1,978	1,600
Economic development reserve	–	12
Election expenses	46	32
Employees leave entitlement	545	545
FAGS advance grant	2,334	2,287
Industrial land - Aerodrome	–	752
Infrastructure replacement (LTP)	2,356	1,808
Land development	499	499
Natfly	4	4
OHS	110	102
Playground shade	49	49
Quarries	187	264
Stormwater – levee bank	2	2
Strategic Business Initiatives	87	–
Street tree planting/irrigation	7	7
Tomingley - Dicken Park Landscaping	5	5
Trangie Historical Group	1	1
Wetlands development	46	46
Youth education activities	18	18
<b>Total internal restrictions</b>	<b>8,561</b>	<b>8,311</b>
<b>TOTAL RESTRICTIONS</b>	<b>20,121</b>	<b>19,913</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	777	87	670	276
Interest and extra charges	12	72	62	55
User charges and fees	767	192	842	181
Accrued revenues				
– Interest on investments	1	–	51	–
Net investment in finance lease	–	–	–	–
Net GST receivable	279	–	259	–
Other debtors	57	–	88	–
<b>Total</b>	<b>1,893</b>	<b>351</b>	<b>1,972</b>	<b>512</b>
<b>Less: provision of impairment</b>				
Interest and extra charges	(63)	–	(33)	–
User charges and fees	(13)	–	(18)	–
<b>Total provision for impairment – receivables</b>	<b>(76)</b>	<b>–</b>	<b>(51)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>1,817</u></b>	<b><u>351</u></b>	<b><u>1,921</u></b>	<b><u>512</u></b>

## 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.

## Accounting policy under AASB 9 applicable from 1 July 2019

## Impairment

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

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

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

Rates and annual charges outstanding are secured against the property.

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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

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

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

#### **Accounting policy under AASB 139 – applicable for 2019 comparatives only**

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	1,128	4,707	600	–
Stores and materials	259	–	254	–
<b>Total inventories at cost</b>	<b>1,387</b>	<b>4,707</b>	<b>854</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>1,387</b>	<b>4,707</b>	<b>854</b>	<b>–</b>
<b>(b) Other assets</b>				
Prepayments	92	–	90	–
<b>TOTAL OTHER ASSETS</b>	<b>92</b>	<b>–</b>	<b>90</b>	<b>–</b>

#### (i) Real estate assets for resale

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Details for real estate development</b>				
Residential	544	1,750	499	–
Industrial/commercial	584	2,957	101	–
<b>Total real estate for resale</b>	<b>1,128</b>	<b>4,707</b>	<b>600</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	342	523	348	–
Development costs	786	4,184	252	–
<b>Total costs</b>	<b>1,128</b>	<b>4,707</b>	<b>600</b>	<b>–</b>
<b>Total real estate for resale</b>	<b>1,128</b>	<b>4,707</b>	<b>600</b>	<b>–</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	600	–	471	–
– Purchases and other costs	528	4,707	129	–
<b>Total real estate for resale</b>	<b>1,128</b>	<b>4,707</b>	<b>600</b>	<b>–</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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/19			Asset movements during the reporting period						as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	1,900	–	1,900	2,668	–	–	–	161	–	4,729	–	4,729
Plant and equipment	8,023	(3,627)	4,396	751	7	–	(471)	–	–	8,605	(3,922)	4,683
Office equipment	1,097	(821)	276	80	–	–	(68)	–	–	1,173	(884)	289
Furniture and fittings	300	(265)	35	28	–	–	(8)	–	–	328	(273)	55
<b>Land:</b>												
– Operational land	4,150	–	4,150	–	8	–	–	63	–	4,221	–	4,221
– Community land	1,758	–	1,758	–	–	–	–	(63)	–	1,696	–	1,696
<b>Infrastructure:</b>												
– Buildings – non-specialised	5,602	(2,732)	2,870	31	–	–	(188)	–	1	5,634	(2,920)	2,714
– Buildings – specialised	33,613	(16,953)	16,660	256	–	–	(1,062)	248	–	33,870	(17,768)	16,102
– Other structures	4,762	(1,256)	3,506	169	38	–	(175)	15	(15)	4,945	(1,407)	3,538
– Roads	232,828	(38,253)	194,575	2,103	–	–	(1,760)	(76)	(2,647)	229,803	(37,608)	192,195
– Bridges	25,524	(6,615)	18,909	–	–	–	(212)	–	(5,468)	20,454	(7,225)	13,229
– Footpaths	3,488	(1,699)	1,789	25	–	–	(43)	–	(94)	3,476	(1,799)	1,677
– Stormwater drainage	20,698	(7,116)	13,582	–	–	–	(173)	–	1,498	23,009	(8,102)	14,907
– Water supply network	29,309	(13,072)	16,237	880	–	–	(534)	–	446	30,848	(13,819)	17,029
– Sewerage network	28,024	(9,264)	18,760	130	1	–	(408)	–	205	28,452	(9,763)	18,689
– Swimming pools	3,427	(1,214)	2,213	1,665	–	(27)	(60)	–	–	5,035	(1,246)	3,789
– Other open space/recreational assets	4,840	(1,949)	2,891	257	–	–	(178)	55	–	5,216	(2,191)	3,025
– Other infrastructure	414	(149)	265	–	–	–	(12)	12	–	414	(149)	265
<b>Other assets:</b>												
– Aerodrome	16,278	(12,542)	3,736	15	–	–	(167)	(421)	(8)	16,072	(12,917)	3,155
– Intangibles	864	(515)	349	54	–	–	(132)	(4)	–	943	(676)	267
– Remediation Assets	144	–	144	1,726	–	–	–	10	–	1,880	–	1,880
<b>Total Infrastructure, property, plant and equipment</b>	<b>427,043</b>	<b>(118,042)</b>	<b>309,001</b>	<b>10,838</b>	<b>54</b>	<b>(27)</b>	<b>(5,651)</b>	<b>–</b>	<b>(6,082)</b>	<b>430,803</b>	<b>(122,669)</b>	<b>308,134</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/18			Asset movements during the reporting period							as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	2,196	–	2,196	164	–	–	–	–	(460)	–	1,900	–	1,900
Plant and equipment	7,723	(3,796)	3,927	831	304	(115)	(437)	–	–	–	8,023	(3,627)	4,396
Office equipment	1,264	(781)	483	43	–	–	(73)	–	–	–	1,097	(821)	276
Furniture and fittings	300	(254)	46	–	–	–	(11)	–	–	–	300	(265)	35
<b>Land:</b>													
– Operational land	4,150	–	4,150	–	–	–	–	–	–	–	4,150	–	4,150
– Community land	1,758	–	1,758	–	–	–	–	–	–	–	1,758	–	1,758
<b>Infrastructure:</b>													
– Buildings – non-specialised	5,573	(2,547)	3,026	–	29	–	(185)	–	–	–	5,602	(2,732)	2,870
– Buildings – specialised	32,721	(16,177)	16,544	1,093	–	–	(976)	(116)	–	–	33,613	(16,953)	16,660
– Other structures	3,249	(1,008)	2,241	1,179	–	–	(116)	–	229	202	4,762	(1,256)	3,506
– Roads	229,331	(35,964)	193,367	2,970	516	–	(2,280)	–	80	–	232,828	(38,253)	194,575
– Bridges	25,524	(6,372)	19,152	–	–	–	(240)	–	–	–	25,524	(6,615)	18,909
– Footpaths	3,404	(1,621)	1,783	83	–	–	(78)	–	–	–	3,488	(1,699)	1,789
– Stormwater drainage	20,423	(6,913)	13,510	230	45	–	(203)	–	151	–	20,698	(7,116)	13,582
– Water supply network	26,932	(12,383)	14,549	1,698	248	–	(483)	–	–	225	29,309	(13,072)	16,237
– Sewerage network	27,208	(8,679)	18,529	368	12	–	(439)	–	–	289	28,024	(9,264)	18,760
– Swimming pools	2,712	(1,065)	1,647	556	82	–	(50)	–	–	(23)	3,427	(1,214)	2,213
– Other open space/recreational assets	3,610	(1,908)	1,702	1,054	83	–	(130)	–	–	182	4,840	(1,949)	2,891
– Other infrastructure	386	(149)	237	38	–	–	(11)	(8)	–	–	414	(149)	265
<b>Other assets:</b>													
– Aerodrome	15,849	(12,308)	3,541	27	–	–	(138)	–	–	319	16,278	(12,542)	3,736
– Intangibles	449	(119)	330	–	–	–	–	–	–	–	864	(515)	349
– Remediation Assets	–	–	–	–	144	–	–	–	–	–	144	–	144
<b>Total Infrastructure, property, plant and equipment</b>	<b>414,762</b>	<b>(112,044)</b>	<b>302,718</b>	<b>10,334</b>	<b>1,463</b>	<b>(115)</b>	<b>(5,850)</b>	<b>(124)</b>	<b>–</b>	<b>1,194</b>	<b>427,043</b>	<b>(118,042)</b>	<b>309,001</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

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	1 to 4		
Vehicles	5 to 20	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 20	Buildings: masonry	50 to 100
Other plant and equipment	5 to 50	Buildings: other	20 to 40
		<b>Stormwater assets</b>	
<b>Water and sewer assets</b>		Drains	80 to 100
Dams and reservoirs	80 to 100	Culverts	50 to 100
Bores	20 to 40	Flood control structures	80 to 100
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	25 to 100		
Pumps and telemetry	15 to 75		
		<b>Other infrastructure assets</b>	
<b>Transportation assets</b>		Bulk earthworks	infinite
Sealed roads: surface	15 to 100	Swimming pools	50 to 70
Sealed roads: structure	20 to 100	Other open space/recreational assets	10 to 100
Unsealed roads	10 to 30	Other infrastructure	50 to 100
Bridge: concrete	80 to 300		
Bridge: other	50 to 80		
Road pavements	60 to 100		
Kerb, gutter and footpaths	40 to 100		

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

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

**Land under roads**

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

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

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".

However as the assets are not controlled by Council they do not meet the SAC4 definition of an asset and cannot be recognised. Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including land, buildings, plant and vehicles.

## Note 11. 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.

*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.

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**\$ '000** **2020**

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**(a) Income Statement**

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

Interest on lease liabilities	–
Variable lease payments based on usage not included in the measurement of lease liabilities	–
Income from sub-leasing right of use assets	–
Depreciation of right of use assets	–
Impairment of right of use assets	–
Expenses relating to short-term leases	–
Expenses relating to low-value leases	29
Expenses relating to Peppercorn leases	–
Other	–
	<hr/> 29 <hr/>

**(b) Statement of Cash Flows**

Total cash outflow for leases	<hr/> 29 <hr/>
	<hr/> 29 <hr/>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Leases (continued)

**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.

**(ii) Council as a lessor****(c) Operating leases**

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note 12) and/or IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

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

\$ '000	2020
<b>(i) Operating lease income</b>	
<b>Investment properties</b>	
Lease income (excluding variable lease payments not dependent on an index or rate)	191
Lease income relating to variable lease payments not dependent on an index or a rate	–
<b>Other lease income</b>	
External plant and equipment hire	–
Room/Facility Hire	–
Leaseback fees - council vehicles	–
Other	6
<b>Total income relating to operating leases</b>	<b>197</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Leases (continued)

\$ '000	2020
<b>(ii) Operating lease expenses</b>	
<b>Investment properties</b>	
Direct operating expenses that generated rental income	263
Direct operating expenses that did not generate rental income	–
<b>Other leased assets</b>	
Other	–
<b>Total expenses relating to operating leases</b>	<b>263</b>
<b>(iii) Repairs and maintenance: investment property</b>	
Contractual obligations for future repairs and maintenance	–
Other	–
<b>Total repairs and maintenance: investment property</b>	<b>–</b>
<b>(iv) Maturity analysis of contractual lease income</b>	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	203
1–2 years	177
2–3 years	88
3–4 years	34
4–5 years	34
> 5 years	138
<b>Total undiscounted contractual lease income receivable</b>	<b>674</b>

**Accounting policy**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 12. Payables and borrowings

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	1,432	–	913	–
Goods and services – capital expenditure	–	–	565	–
Accrued expenses:				
– Borrowings	10	–	9	–
– Other expenditure accruals	2,083	–	19	–
Security bonds, deposits and retentions	41	–	30	–
Other	206	–	22	–
Prepaid rates	291	–	–	–
<b>Total payables</b>	<b>4,063</b>	<b>–</b>	<b>1,558</b>	<b>–</b>
<b>Income received in advance (2019 only)</b>				
Payments received in advance	–	–	227	–
<b>Total income received in advance</b>	<b>–</b>	<b>–</b>	<b>227</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	957	4,812	390	2,858
<b>Total borrowings</b>	<b>957</b>	<b>4,812</b>	<b>390</b>	<b>2,858</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>5,020</b>	<b>4,812</b>	<b>2,175</b>	<b>2,858</b>

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

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

#### (a) 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	3,248	2,521	–	–	–	–	5,769
Lease liabilities	–	28	–	–	–	–	28
<b>TOTAL</b>	<b>3,248</b>	<b>2,549</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,797</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	2,879	(383)	752	–	–	3,248
<b>TOTAL</b>	<b>2,879</b>	<b>(383)</b>	<b>752</b>	<b>–</b>	<b>–</b>	<b>3,248</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Payables and borrowings (continued)

\$ '000	2020	2019
<b>(b) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Credit cards/purchase cards	60	60
<b>Total financing arrangements</b>	<b>60</b>	<b>60</b>
<b>Undrawn facilities as at balance date:</b>		
– Credit cards/purchase cards	60	60
<b>Total undrawn financing arrangements</b>	<b>60</b>	<b>60</b>

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

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

**Accounting policy for payables and borrowings**

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

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

**Payables**

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

**Borrowings**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	429	–	460	–
Long service leave	919	48	957	50
Other leave	33	–	159	–
ELE on-costs	170	–	–	–
<b>Sub-total – aggregate employee benefits</b>	<b>1,551</b>	<b>48</b>	<b>1,576</b>	<b>50</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	1,874	–	144
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>1,874</b>	<b>–</b>	<b>144</b>
<b>TOTAL PROVISIONS</b>	<b>1,551</b>	<b>1,922</b>	<b>1,576</b>	<b>194</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	955	899
	<b>955</b>	<b>899</b>

**(b) Description of and movements in provisions**

\$ '000	Other provisions	
	Asset remediation	Total
<b>2020</b>		
At beginning of year	144	144
Additional provisions	–	–
Amounts used (payments)	–	–
Unwinding of discount	–	–
Other	1,730	1,730
<b>Total other provisions at end of year</b>	<b>1,874</b>	<b>1,874</b>
<b>2019</b>		
At beginning of year	–	–
Additional provisions	144	144
Amounts used (payments)	–	–
Unwinding of discount	–	–
<b>Total other provisions at end of year</b>	<b>144</b>	<b>144</b>

**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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Provisions (continued)

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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.

#### 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Provisions (continued)

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

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

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

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

#### (b) Changes in accounting 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.

There have been no adjustments to retained earnings at 1 July 2019 on adoption of AASB 15 and AASB 1058.

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

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

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

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

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.

There have been no adjustments to retained earnings at 1 July 2019 on adoption of AASB 15 and AASB 1058.

##### **Costs incurred in fulfilling customer contracts**

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

##### **Upfront fees – Council leisure centre**

Prior to adopting AASB 15, the Council recognised membership joining fees on receipt. Under AASB 15, since the fees do not relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer (i.e the membership life).

##### **Revenue recognition from contract modifications**

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

##### **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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

**Statement of Financial Position**

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	7,252	–	–	7,252	
Investments	17,681	–	–	17,681	
Receivables	1,817	–	–	1,817	
Inventories	1,387	–	–	1,387	
Other	92	–	–	92	
<b>Total current assets</b>	<b>28,229</b>	<b>–</b>	<b>–</b>	<b>28,229</b>	
<b>Current liabilities</b>					
Payables	4,063	–	–	4,063	
Lease liabilities	13	–	–	13	
Borrowings	957	–	–	957	
Provisions	1,551	–	–	1,551	

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
<b>Total current liabilities</b>	6,584	–	–	6,584	
<b>Non-current assets</b>					
Receivables	351	–	–	351	
Inventories	4,707	–	–	4,707	
Infrastructure, property, plant and equipment	308,134	–	–	308,134	
Right of use assets	28	–	–	28	
Investments accounted for using equity method	324	–	–	324	
<b>Total non-current assets</b>	313,544	–	–	313,544	
<b>Non-current liabilities</b>					
Lease liabilities	15	–	–	15	
Borrowings	4,812	–	–	4,812	
Provisions	1,922	–	–	1,922	
<b>Total Non-current liabilities</b>	6,749	–	–	6,749	
<b>Net assets</b>	328,440	–	–	328,440	
<b>Equity</b>					
Accumulated surplus	140,762	–	–	140,762	
Revaluation reserves	187,678	–	–	187,678	
<b>Council equity interest</b>	328,440	–	–	328,440	
<b>Total equity</b>	328,440	–	–	328,440	

## Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	9,037	–	–	9,037	
User charges and fees	2,849	–	–	2,849	
Other revenues	296	–	–	296	
Grants and contributions provided for operating purposes	7,845	–	–	7,845	
Grants and contributions provided for capital purposes	3,982	–	–	3,982	
Net gains from the disposal of assets	514	–	–	514	
Rental income	197	–	–	197	

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 14. 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
Net share of interests in joint ventures and associates using the equity method	26	–	–	26	
<b>Total Income from continuing operations</b>	<b>24,746</b>	<b>–</b>	<b>–</b>	<b>24,746</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	6,959	–	–	6,959	
Borrowing costs	93	–	–	93	
Materials and contracts	4,869	–	–	4,869	
Depreciation and amortisation	5,651	–	–	5,651	
Other expenses	2,598	–	–	2,598	
Revaluation decrement / impairment of IPP&E	29	–	–	29	
<b>Total Expenses from continuing operations</b>	<b>20,199</b>	<b>–</b>	<b>–</b>	<b>20,199</b>	
<b>Total Operating result from continuing operations</b>	<b>4,547</b>	<b>–</b>	<b>–</b>	<b>4,547</b>	
Net operating result for the year	4,547	–	–	4,547	
<b>Total comprehensive income</b>	<b>(1,665)</b>	<b>–</b>	<b>–</b>	<b>(1,665)</b>	

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
<b>Total equity</b>	<b>–</b>	<b>–</b>	<b>–</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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

- 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.

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	–
<b>Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases</b>	
<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	65
<b>Add:</b>	
Contracts not accounted for as operating lease commitments last year	–
Finance lease liabilities	–
Extension options reasonably certain to be exercised not included in the commitments note	–
Variable lease payments linked to an index	–
Other	–
<b>Less:</b>	
Short-term leases included in commitments note	–
Leases for low-value assets included in commitments note	–
Other	–
<b>Lease liabilities recognised at 1 July 2019</b>	<u>65</u>

**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.

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
<b>Total equity</b>	–	–	–

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	7,252	1,659
<b>Balance as per the Statement of Cash Flows</b>		<b>7,252</b>	<b>1,659</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		4,417	3,655
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		5,651	5,850
Net losses/(gains) on disposal of assets		(514)	(43)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		547	(266)
– Revaluation decrements / impairments of IPP&E direct to P&L		29	249
Share of net (profits)/losses of associates/joint ventures using the equity method		(26)	(10)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		240	72
Increase/(decrease) in provision for impairment of receivables		25	27
Decrease/(increase) in inventories		(5)	289
Decrease/(increase) in other current assets		(2)	25
Increase/(decrease) in payables		519	232
Increase/(decrease) in accrued interest payable		1	1
Increase/(decrease) in other accrued expenses payable		2,064	19
Increase/(decrease) in other liabilities		259	53
Increase/(decrease) in provision for employee benefits		(27)	(191)
Increase/(decrease) in other provisions		1,730	144
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>14,908</b>	<b>10,106</b>

## Note 16. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	26	10	324	298
<b>Total</b>	<b>26</b>	<b>10</b>	<b>324</b>	<b>298</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Interests in other entities (continued)

## Joint arrangements

**(i) Joint ventures**

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

**(a) Net carrying amounts – Council's share**

\$ '000	Nature of relationship	Measurement method	2020	2019
Macquarie Regional Library	Joint Venture	Equity Method	324	298
<b>Total carrying amounts – material joint ventures</b>			<b>324</b>	<b>298</b>

**(b) Details**

Principal activity	Place of business
Macquarie Regional Library Provision of Library Services	Narromine

**(c) Relevant interests and fair values**

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019
Macquarie Regional Library	13.8%	14.0%	13.8%	14.0%	33.3%	25.0%

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

\$ '000	Macquarie Regional Library	
	2020	2019
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,860	1,597
Other current assets	10	19
<b>Non-current assets</b>	1,244	1,245
<b>Current liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	–	93
Other current liabilities	479	598
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	–	49
<b>Net assets</b>	<b>2,635</b>	<b>2,121</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Interests in other entities (continued)

\$ '000	Macquarie Regional Library	
	2020	2019
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	2,123	2,049
Profit/(loss) for the period	222	74
<b>Closing net assets</b>	<b>2,345</b>	<b>2,123</b>
<b>Council's share of net assets (%)</b>	<b>13.8%</b>	<b>14.0%</b>
<b>Council's share of net assets (\$)</b>	<b>364</b>	<b>297</b>
<b>Statement of comprehensive income</b>		
Income	2,983	2,962
Interest income	23	45
Depreciation and amortisation	(390)	(340)
Other expenses	(2,394)	(2,593)
<b>Profit/(loss) from continuing operations</b>	<b>222</b>	<b>74</b>
<b>Profit/(loss) for the period</b>	<b>222</b>	<b>74</b>
<b>Total comprehensive income</b>	<b>222</b>	<b>74</b>
<b>Share of income – Council (%)</b>	<b>12.0%</b>	<b>14.0%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>27</b>	<b>10</b>
<b>Total comprehensive income – Council (\$)</b>	<b>27</b>	<b>10</b>

**Accounting policy for joint arrangements****Joint ventures:**

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 Investments in Associates and Joint Ventures.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Commitments

\$ '000	2020	2019
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Sewerage and water infrastructure	870	–
Buildings	41	–
Road infrastructure	271	–
Plant and equipment	21	2
Sports & Recreation	–	230
Other	18	508
<b>Total commitments</b>	<b>1,221</b>	<b>740</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	1,221	740
<b>Total payable</b>	<b>1,221</b>	<b>740</b>

**(b) Non-cancellable operating lease commitments**

Council has no material operating lease commitments.

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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. 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 participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

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

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

The Local Government Superannuation Scheme is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB 119 Employee Benefits and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

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

Member councils are treated as Pooled Employers for the purpose of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

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

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

The past service contribution for each Pooled Employer is a share of the past service contributions of \$40.0 million per annum 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 service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Contingencies (continued)

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2020 was \$ 103,271.13.

The last valuation of the scheme was performed by Mr Richard Boyfield FIAA (AFS Licence # 411770) as at 30 June 2019.

Council's expected contribution to the Fund for the next annual reporting period is \$90,286.20.

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

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 has been completed around November/December 2019.

Council's additional lump sum contribution per annum of 0.13% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub group.

**(ii) Statewide Limited**

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

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

The future realisation and finalisation of claims incurred but not reported to 30/6 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 18. Contingencies (continued)

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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.

#### **2. Other liabilities**

##### **(i) Third party claims**

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Financial risk management

## Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	7,252	1,659	7,246	1,659
Receivables	2,168	2,433	2,168	2,205
Investments				
– 'Financial assets at amortised cost'	–	17,000	–	17,000
<b>Fair value through profit and loss</b>				
Investments				
– 'Held for trading'	17,681	5,573	17,681	5,573
<b>Total financial assets</b>	<b>27,101</b>	<b>26,665</b>	<b>27,095</b>	<b>26,437</b>
<b>Financial liabilities</b>				
Payables	4,063	1,558	3,797	1,558
Loans/advances	5,769	3,248	5,769	3,248
Lease liabilities	28	–	28	–
<b>Total financial liabilities</b>	<b>9,860</b>	<b>4,806</b>	<b>9,594</b>	<b>4,806</b>

Fair value is determined as follows:

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

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

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

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

The risks associated with the investments 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Financial risk management (continued)

- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **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.
- **Liquidity risk** – the risk that the Council will not be able to pay its debts as and when they fall due.

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2020</b>				
Possible impact of a 10% movement in market values	1,768	1,768	(1,768)	(1,768)
Possible impact of a 1% movement in interest rates	72	72	(72)	(72)
<b>2019</b>				
Possible impact of a 10% movement in market values	557	557	(557)	(557)
Possible impact of a 1% movement in interest rates	225	225	(225)	(225)

## (b) Credit risk

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

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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.

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

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors. There are no material receivables that have been subjected to a re-negotiation of repayment terms.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Financial risk management (continued)

A profile of Council's receivables credit risk at balance date follows:

**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	698	166	–	–	–	864
<b>2019</b>						
Gross carrying amount	759	37	37	113	–	946

**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	1,223	86	28	11	32	1,380
Expected loss rate (%)	0.00%	5.80%	100.00%	100.00%	100.00%	5.51%
<b>ECL provision</b>	–	5	28	11	32	76
<b>2019</b>						
Gross carrying amount	1,411	32	1	70	24	1,538
Expected loss rate (%)	0.00%	0.00%	0.00%	38.00%	100.00%	3.29%
<b>ECL provision</b>	–	–	–	27	24	51

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2020</b>							
Trade/other payables	0.00%	41	–	–	–	41	3,772
Loans and advances	3.75%	–	792	4,748	1,164	6,704	5,769
<b>Total financial liabilities</b>		<b>41</b>	<b>792</b>	<b>4,748</b>	<b>1,164</b>	<b>6,745</b>	<b>9,541</b>
<b>2019</b>							
Trade/other payables	0.00%	30	1,528	–	–	1,558	1,558
Loans and advances	3.75%	–	495	2,345	408	3,248	3,248
<b>Total financial liabilities</b>		<b>30</b>	<b>2,023</b>	<b>2,345</b>	<b>408</b>	<b>4,806</b>	<b>4,806</b>

## Loan agreement breaches

There have been no breaches to loan agreements during the reporting year.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 12/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>REVENUES</b>				
<b>Other revenues</b>	689	296	(393)	(57)% <b>U</b>
Other revenues are under budget due mostly to less Private Works revenue (by \$150k) due to drought.				
<b>Capital grants and contributions</b>	1,501	3,982	2,481	165% <b>F</b>
Council applied for and received more capital works grants than originally budgeted for at the beginning of the year including:				
<ul style="list-style-type: none"> <li>• Water - Emergency Drought Works \$1.1m</li> <li>• Stronger Country Communities Rnd 2 \$0.7m</li> <li>• Drought Communities Extension Program \$0.4m</li> <li>• Other grants \$0.3m</li> </ul>				
<b>Interest and investment revenue</b>	614	(130)	(744)	(121)% <b>U</b>
Council's managed funds investment returns were below budget due to the impact on financial markets of COVID-19.				
<b>Net gains from disposal of assets</b>	-	514	514	∞ <b>F</b>
This variance is due mostly to the gains from Council selling all of its shares in Southern Phone Company.				

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>EXPENSES</b>				
<b>Borrowing costs</b>	124	93	31	25% <b>F</b>
Interest charges were lower for the year due to new loans taken out (\$3.04m) later in the year than anticipated.				
<b>Materials and contracts</b>	5,456	4,869	587	11% <b>F</b>
Costs were marginally below budget due mostly to roads expenditure being below budget.				
<b>Other expenses</b>	1,994	2,598	(604)	(30)% <b>U</b>
Costs were over budget across a large range of expenditure items, the largest being electricity consumption (\$160k) and the NSW Emergency Services Levy (\$40k).				
<b>Revaluation decrement / impairment of IPP&amp;E</b>	-	29	(29)	∞ <b>U</b>
This variance is due to the impairment of Council's Waste Remediation Contingency.				

**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	7,084	14,908	7,824	110% <b>F</b>
Cashflow from operations is above budget due mostly to additional grant proceeds received (\$2.6m) and costs accrued but not paid at year end (\$2.2m).				
<b>Cash flows from investing activities</b>	(13,129)	(11,836)	1,293	(10)% <b>F</b>
Cashflow from investing is higher than budget as around \$4m in investments were liquidated and placed in operating accounts to assist in cashflow as rates receipts are delayed due to COVID-19 measures.				
<b>Cash flows from financing activities</b>	2,058	2,521	463	22% <b>F</b>
Cashflows are above budget due to lower interest and repayments being made as loans were taken out late in the year.				

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total	
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs		
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
Investments						
	– 'Held for trading/fair value through profit or loss'	30/06/20	24,933	–	–	24,933
<b>Total financial assets</b>			<b>24,933</b>	<b>–</b>	<b>–</b>	<b>24,933</b>
<b>Infrastructure, property, plant and equipment</b>						
	Operational land	30/06/18	–	4,221	–	4,221
	Community land	30/06/18	–	1,696	–	1,696
	Buildings – non-specialised	30/06/18	–	–	2,714	2,714
	Buildings – specialised	30/06/18	–	–	15,834	15,834
	Other structures	30/06/19	–	–	3,538	3,538
	Roads	30/06/20	–	–	192,268	192,268
	Bridges	30/06/20	–	–	13,229	13,229
	Footpaths	30/06/20	–	–	1,677	1,677
	Stormwater drainage	30/06/20	–	–	14,907	14,907
	Water supply network	30/06/17	–	–	17,029	17,029
	Sewerage network	30/06/17	–	–	18,688	18,688
	Swimming pools	30/06/19	–	–	3,789	3,789
	Other open space/recreational assets	30/06/19	–	–	3,023	3,023
	Other infrastructure	30/06/20	–	–	190	190
	Aerodrome	30/06/19	–	–	3,597	3,597
<b>Total infrastructure, property, plant and equipment</b>			<b>–</b>	<b>5,917</b>	<b>290,483</b>	<b>296,400</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total	
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs		
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
Investments						
	– ‘Held for trading/fair value through profit or loss’	30/06/19	5,574	–	–	5,574
<b>Total financial assets</b>			<b>5,574</b>	<b>–</b>	<b>–</b>	<b>5,574</b>
<b>Infrastructure, property, plant and equipment</b>						
	Operational land	30/06/18	–	–	4,150	4,150
	Community land	30/06/18	–	–	1,758	1,758
	Buildings – non-specialised	30/06/18	–	–	2,870	2,870
	Buildings – specialised	30/06/18	–	–	16,660	16,660
	Other structures	30/06/19	–	–	3,506	3,506
	Roads	30/06/15	–	–	194,575	194,575
	Bridges	30/06/15	–	–	18,909	18,909
	Footpaths	30/06/15	–	–	1,789	1,789
	Stormwater drainage	30/06/15	–	–	265	265
	Water supply network	30/06/17	–	–	16,237	16,237
	Sewerage network	30/06/17	–	–	18,760	18,760
	Swimming pools	30/06/19	–	–	2,213	2,213
	Other open space/recreational assets	30/06/19	–	–	2,891	2,891
	Other infrastructure	30/06/15	–	–	3,506	3,506
	Aerodrome	30/06/19	–	–	3,749	3,749
<b>Total infrastructure, property, plant and equipment</b>			<b>–</b>	<b>–</b>	<b>291,838</b>	<b>291,838</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

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

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

**Infrastructure, property, plant and equipment (IPP&E)****Plant and equipment, office equipment and furniture and fittings**

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

- Plant and Equipment - Graders, trucks, rollers, tractors, mowers and motor vehicles.
- Office Equipment - Computer Servers, surveillance equipment, Software, photocopiers, radio equipment etc.
- Furniture & Fittings - Desks, Cabinets, Ergonomic chairs

**Operational and community land**

Operational Land is based on the Land Value provided by an external Valuer in 2018. It is based on average unit rate based on the Land Value for similar properties, having regard to the highest and best use for the land. Community Land has been valued in 2017 using valuations of the Valuer General.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21. Fair Value Measurement (continued)

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#### **Buildings – non-specialised and specialised**

Non-Specialised & Specialised Buildings values were provided by an external Valuer in 2018. The approach estimated the replacement cost for each building by componentising the building into significant parts and taking into account asset condition and remaining useful life. While all buildings were physically inspected and the unit rates based on square metres no market based evidence (Level 2) could not be established. As such these assets were classified as having been valued as Level 3 valuation inputs.

#### **Other structures**

Other Structures comprise of Telemetry Systems, and components related to Cemetery, sale yards, waste facilities, and the family day care etc. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life. Other Structures were revalued externally during 2018/19 by AssetVal Pty Ltd.

#### **Roads**

Roads were externally valued during 19/20 by AssetVal Pty Ltd, major changes include giving road pavement and Seal a long life and a short life component, and separating the floodways which have shorter lives. Market based evidence (level 2) were used for Gravel pavement, Seal, Culverts, Footpath, and K&G.

#### **Bridges**

Bridges were externally valued during 19/20 by AssetVal Pty Ltd, major changes include componentising bridges from one asset into components, Substructure, superstructure, abutments etc. Major Culverts over 6m long were considered bridges and transferred from stormwater into bridges.

#### **Footpaths**

Footpaths were externally valued during 19/20 by AssetVal Pty Ltd, Market based evidence (level 2) were used for concrete Footpaths and cycleways. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life.

#### **Stormwater drainage**

Stormwater assets were externally valued during 19/20 by AssetVal Pty Ltd, with previously unaccounted for assets now valued Market based evidence (level 2) were used for culverts, and K&G. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life.

#### **Water supply network**

Assets in this class comprise of pipes, valves, pumps, bores, and reservoirs and are valued using the cost approach. The Water Network values were provided by an external valuer in 2017. The unit rates are based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. This asset class is indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water.

#### **Sewerage network**

Assets in this class comprise of Treatment Plants, Pumping stations, sewerage pipelines and Manholes and are valued using the cost approach. The Sewerage Network values were provided by an external valuer in 2017. The unit rates are based on linear metres of certain diameter pipes and prices per treatment item or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. This asset class is indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water.

#### **Open space recreation**

Assets within this class comprise playground equipment, softfall surfaces, shade structures, irrigation, fencing, lighting, furniture, sculptures and monuments etc. and are valued using the cost approach whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life. All Open Space Recreation Assets were last revalued externally during 2018/19 by AssetVal Pty Ltd.

#### **Aerodrome**

Assets within this class comprise the Aerodrome sealed runways at Narromine, and the unsealed airstrip at Trangie along with associated furniture, signage, lighting, fencing, and control structures and are valued using the cost approach whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life. All assets were last valued externally during 2018/19 by AssetVal Pty Ltd.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Fair Value Measurement (continued)

**Swimming pools**

Assets within this class comprise the 50m 8 lane outdoor pool, and childrens pool at Narromine, and the 25m outdoor pool at Trangie with associated furniture, filtration systems etc and are valued using the cost approach whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life. All assets were last valued externally during 2018/19 by AssetVal Pty Ltd.

**(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	Plant and equipment	Office equipment	Furniture and fittings	Operational Land	Community Land
<b>2019</b>					
<b>Opening balance</b>	3,927	483	46	4,150	1,758
Purchases (GBV)	1,136	–	–	–	–
Disposals (WDV)	(232)	–	–	–	–
Depreciation and impairment	(436)	(207)	(11)	–	–
<b>Closing balance</b>	<b>4,395</b>	<b>276</b>	<b>35</b>	<b>4,150</b>	<b>1,758</b>
<b>2020</b>					
<b>Opening balance</b>	4,395	276	35	4,150	1,758
Purchases (GBV)	758	80	28	8	–
Depreciation and impairment	(471)	(67)	(8)	–	–
Revaluation	–	–	–	63	(63)
<b>Closing balance</b>	<b>4,682</b>	<b>289</b>	<b>55</b>	<b>4,221</b>	<b>1,695</b>

\$ '000	Buildings non-specialised	Buildings specialised	Other structures	Roads	Bridges
<b>2019</b>					
<b>Opening balance</b>	3,026	16,544	2,241	193,367	19,152
Purchases (GBV)	29	1,093	1,179	3,486	–
Depreciation and impairment	(185)	(977)	(116)	(2,278)	(243)
Revaluation	–	–	201	–	–
<b>Closing balance</b>	<b>2,870</b>	<b>16,660</b>	<b>3,505</b>	<b>194,575</b>	<b>18,909</b>
<b>2020</b>					
<b>Opening balance</b>	2,870	16,660	3,505	194,575	18,909
Purchases (GBV)	31	256	207	2,103	–
Depreciation and impairment	(187)	(1,062)	(174)	(1,760)	(212)
Revaluation	–	248	–	(2,723)	(5,468)
<b>Closing balance</b>	<b>2,714</b>	<b>16,102</b>	<b>3,538</b>	<b>192,195</b>	<b>13,229</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Fair Value Measurement (continued)

\$ '000	Footpaths	Stormwater drainage	Water supply network	Sewerage network	Swimming pools
<b>2019</b>					
<b>Opening balance</b>	1,783	13,510	14,549	18,529	1,647
Purchases (GBV)	84	275	1,947	381	639
Depreciation and impairment	(78)	(203)	(688)	(439)	(73)
Revaluation	–	–	429	289	–
<b>Closing balance</b>	<b>1,789</b>	<b>13,582</b>	<b>16,237</b>	<b>18,760</b>	<b>2,213</b>
<b>2020</b>					
<b>Opening balance</b>	1,789	13,582	16,237	18,760	2,213
Purchases (GBV)	25	–	880	131	1,665
Disposals (WDV)	–	–	–	–	(28)
Depreciation and impairment	(43)	(173)	(533)	(408)	(61)
Revaluation	(94)	1,498	445	205	–
<b>Closing balance</b>	<b>1,677</b>	<b>14,907</b>	<b>17,029</b>	<b>18,688</b>	<b>3,789</b>

\$ '000	Other open space/ recreational assets	Other infrastructure	Aerodrome	Total
<b>2019</b>				
<b>Opening balance</b>	1,702	237	3,541	<b>300,192</b>
Purchases (GBV)	1,138	38	27	<b>11,452</b>
Disposals (WDV)	–	–	–	<b>(232)</b>
Depreciation and impairment	(130)	(11)	(138)	<b>(6,213)</b>
Revaluation	181	–	319	<b>1,419</b>
<b>Closing balance</b>	<b>2,891</b>	<b>264</b>	<b>3,749</b>	<b>306,618</b>
<b>2020</b>				
<b>Opening balance</b>	2,891	264	3,749	<b>306,618</b>
Purchases (GBV)	257	–	15	<b>6,444</b>
Disposals (WDV)	–	–	–	<b>(28)</b>
Depreciation and impairment	(178)	(12)	(167)	<b>(5,516)</b>
Revaluation	55	13	(442)	<b>(6,263)</b>
<b>Closing balance</b>	<b>3,025</b>	<b>265</b>	<b>3,155</b>	<b>301,255</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21. Fair Value Measurement (continued)

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#### b. The valuation process for level 3 fair value measurements

##### Fair Value- Valuation techniques

The valuation techniques prescribed by AASB 13 can be summarised as:

'Cost Approach': A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost).

Income Approach: Valuation technique that converts future amounts (cash flows inflows/outflows) to signal the current (i.e. discounted) amount.

The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

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

##### Valuation techniques used to derive Level 2 and Level 3 Fair Values

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows: Level 2 valuation process for some asset classes where the basis was Cost Approach under level 2 input which were determined based on, whereby maximising observable inputs and minimising unobservable inputs as below:

- Quoted prices for similar asset in active markets
- Current replacement cost concept
- Purchase price
- Useful life

Level 3 valuation process for some asset classes where the basis was Cost Approach, The inputs used for this technique were:

- Pattern of consumption
- Residual Value
- Asset Condition
- Unit rates
- Useful life

#### (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 22. 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	1,118	1,164
Post-employment benefits	90	97
<b>Total</b>	<b>1,208</b>	<b>1,261</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>						
Office Supplies	1	17	–	30 days	–	–
<b>2019</b>						
Office Supplies	1	7	–	30 days	–	–

1 Council makes ad hoc purchases from Stationery Store Online, a company which is controlled by a member of the KMP of the council. The total annual contract value is around \$11,000 and purchases are made in accordance with the Procurement policy and based on market rates.

2 Council hired plant and equipment during the year from McCutcheon Agri Trust, a trust which has a KMP has an interest. Amounts were billed based on on normal rates for such supplies and services and were due and payable under normal payment terms following the Council's procurement process.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Related party disclosures (continued)

#### (c) Other related party transactions

\$ '000	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
<b>2020</b>						
Library Services	2	383	–	30 days	–	–
<b>2019</b>						
Library Services	2	381	–	30 days	–	–

3 Council has joined with Western Plains Regional Council and Warrumbungle Shire Council to form a Joint Venture arrangement called Macquarie Regional Library. Council contributes a proportion of the costs of the entity and receives a share of profits and net assets.

### Note 23. Events occurring after the reporting date

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 24. Statement of developer contributions

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

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

## Summary of contributions and levies

	as at 30/06/19			as at 30/06/20				
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
<b>S7.12 levies – under a plan</b>	299	9	–	3	(74)	–	237	–
<b>Total S7.11 and S7.12 revenue under plans</b>	299	9	–	3	(74)	–	237	–
S64 contributions	221	6	–	–	–	–	227	–
<b>Total contributions</b>	<b>520</b>	<b>15</b>	<b>–</b>	<b>3</b>	<b>(74)</b>	<b>–</b>	<b>464</b>	<b>–</b>

## S7.12 Levies – under a plan

## S7.12 LEVIES – UNDER A PLAN

Drainage	10	–	–	–	–	–	10	–
Roads	8	–	–	–	–	–	8	–
Open space	26	–	–	–	–	–	26	–
Community facilities	255	9	–	3	(74)	–	193	–
<b>Total</b>	<b>299</b>	<b>9</b>	<b>–</b>	<b>3</b>	<b>(74)</b>	<b>–</b>	<b>237</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25. 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	7,274	620	1,143
User charges and fees	1,266	1,253	330
Interest and investment revenue	(415)	102	313
Other revenues	296	–	–
Grants and contributions provided for operating purposes	7,787	38	20
Grants and contributions provided for capital purposes	2,870	1,112	–
Net gains from disposal of assets	514	–	–
Rental income	197	–	–
Share of interests in joint ventures and associates using the equity method	26	–	–
<b>Total income from continuing operations</b>	<b>19,815</b>	<b>3,125</b>	<b>1,806</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	6,299	481	179
Borrowing costs	93	–	–
Materials and contracts	3,029	1,144	696
Depreciation and amortisation	4,709	534	408
Other expenses	2,575	–	23
Revaluation decrement /impairment of IPPE	29	–	–
<b>Total expenses from continuing operations</b>	<b>16,734</b>	<b>2,159</b>	<b>1,306</b>
<b>Operating result from continuing operations</b>	<b>3,081</b>	<b>966</b>	<b>500</b>
<b>Net operating result for the year</b>	<b>3,081</b>	<b>966</b>	<b>500</b>
<b>Net operating result attributable to each council fund</b>	<b>2,951</b>	<b>966</b>	<b>500</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>81</b>	<b>(146)</b>	<b>500</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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25. Result by fund (continued)

\$ '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	1,878	–	5,374
Investments	14,397	1,461	1,823
Receivables	1,353	235	229
Inventories	1,387	–	–
Other	92	–	–
<b>Total current assets</b>	<b>19,107</b>	<b>1,696</b>	<b>7,426</b>
<b>Non-current assets</b>			
Receivables	93	180	78
Inventories	4,707	–	–
Infrastructure, property, plant and equipment	268,388	20,622	19,124
Investments accounted for using the equity method	324	–	–
Right of use assets	28	–	–
<b>Total non-current assets</b>	<b>273,540</b>	<b>20,802</b>	<b>19,202</b>
<b>TOTAL ASSETS</b>	<b>292,647</b>	<b>22,498</b>	<b>26,628</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	4,017	46	–
Lease liabilities	13	–	–
Borrowings	957	–	–
Provisions	1,551	–	–
<b>Total current liabilities</b>	<b>6,538</b>	<b>46</b>	<b>–</b>
<b>Non-current liabilities</b>			
Lease liabilities	15	–	–
Borrowings	4,812	–	–
Provisions	1,922	–	–
<b>Total non-current liabilities</b>	<b>6,749</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>13,287</b>	<b>46</b>	<b>–</b>
<b>Net assets</b>	<b>279,360</b>	<b>22,452</b>	<b>26,628</b>
<b>EQUITY</b>			
Accumulated surplus	117,394	12,424	10,944
Revaluation reserves	161,966	10,028	15,684
<b>Council equity interest</b>	<b>279,360</b>	<b>22,452</b>	<b>26,628</b>
<b>Total equity</b>	<b>279,360</b>	<b>22,452</b>	<b>26,628</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 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>471</b>	<b>2.28%</b>	0.94%	(0.88)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>20,641</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>12,796</b>	<b>51.97%</b>	54.34%	53.43%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>24,623</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>15,944</b>	<b>2.86x</b>	4.97x	5.98x	>1.50x
Current liabilities less specific purpose liabilities	<b>5,583</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>6,215</b>	<b>10.16x</b>	12.89x	12.68x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>612</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>885</b>	<b>8.71%</b>	10.27%	11.61%	<10.00%
Rates, annual and extra charges collectible	<b>10,164</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>7,252</b>	<b>8.23</b>	15.34	18.93	>3.00
Monthly payments from cash flow of operating and financing activities	<b>881</b>	<b>mths</b>	mths	mths	mths

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	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>0.70%</b>	(0.66)%	<b>(7.25)%</b>	1.70%	<b>27.69%</b>	17.77%	>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>45.88%</b>	46.56%	<b>63.20%</b>	99.25%	<b>98.89%</b>	100.00%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>2.86x</b>	4.97x	<b>36.87x</b>	∞	∞	∞	>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>8.04x</b>	10.31x	∞	∞	∞	∞	>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>10.53%</b>	12.39%	<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>12.24</b>	11.01	<b>0.00</b>	∞	<b>0.00</b>	∞	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths					mths

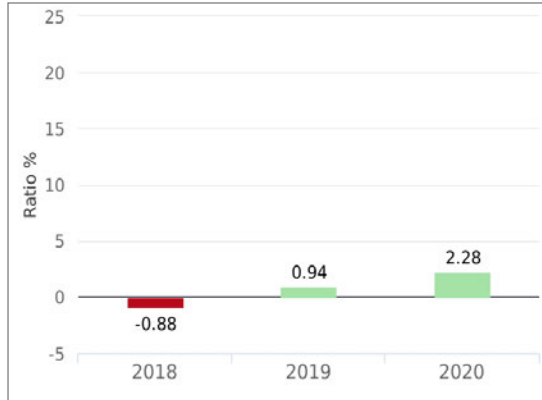
(1) - (2) Refer to Notes at Note 23a above.

(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 26(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 2.28%

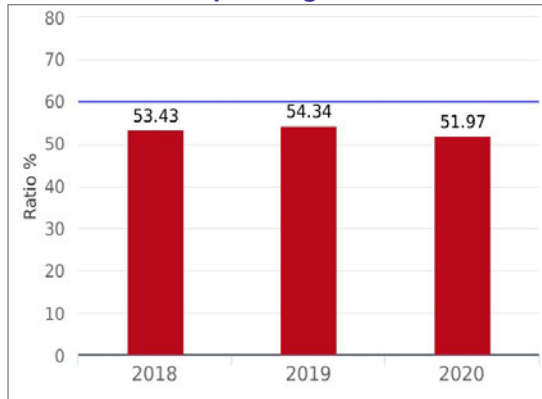
OLG sets a benchmark of a profit, i.e. a profit ratio greater than 0%. Council arrived at a small operating profit this year of 2.28%.

Benchmark: — > 0.00%

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

Ratio achieves benchmark (green)  
Ratio is outside benchmark (red)

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 51.97%

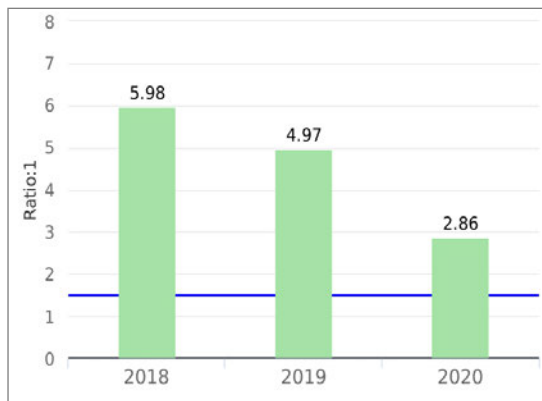
As a regional Council with limited revenue generating opportunities Council has generated 52% of total revenue. OLG has set a benchmark of 60%.

Benchmark: — > 60.00%

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

Ratio achieves benchmark (green)  
Ratio is outside benchmark (red)

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 2.86x

Council is well above the OLG benchmark of 1.5 times. Council's ratio is lower than last year due to an increase in accruals of costs related to the unfinished two land development projects.

Benchmark: — > 1.50x

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

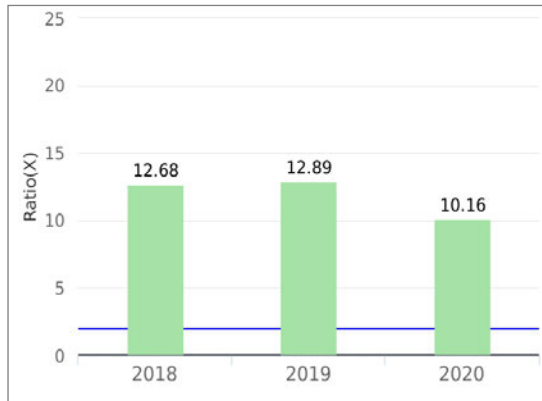
Ratio achieves benchmark (green)  
Ratio is outside benchmark (red)



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

Note 26(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 10.16x

Council's operating cashflow is well above the OLG benchmark of 2.0 times.

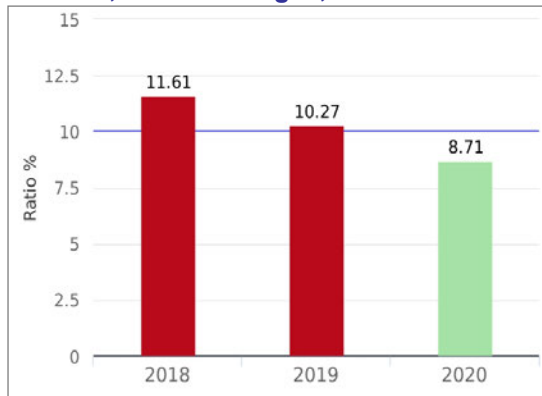
Benchmark: — > 2.00x

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 8.71%

Council is favourably under OLG's benchmark of 10% overdue charges.

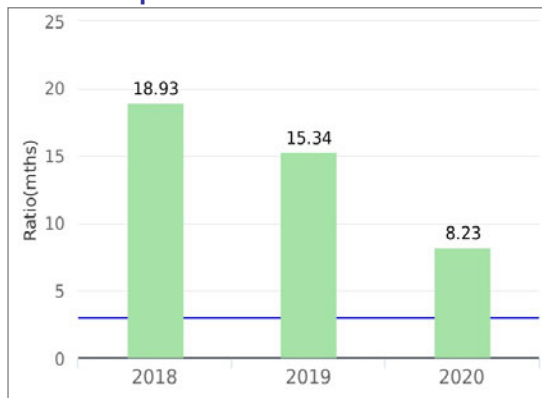
Benchmark: — < 10.00%

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 8.23 mths

Council is well above OLG's benchmark for rural councils of 3.0 times. Council's ratio has reduced from previous years due to placing less funds in term deposits.

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 27. Council information and contact details

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**Principal place of business:**

124 Dandaloo Street  
Narromine NSW 2821

#### Contact details

**Mailing Address:**

PO Box 115  
Narromine NSW 2821

**Telephone:** 02 6889 9999

**Facsimile:** 02 6889 9998

**Opening hours:**

M-F 8:30 am to 5:00 pm

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

**Email:** [mail@narromine.nsw.gov.au](mailto:mail@narromine.nsw.gov.au)

#### Officers

**General Manager**

Jane Redden

**Responsible Accounting Officer**

John Sevil

**Public Officer**

NSW Auditor General

**Auditors**

NSW Auditor General

Level 19

Darling Park Tower

201 Sussex Street

Sydney NSW 2000

#### Elected members

**Mayor**

Cr Craig Davies

**Deputy Mayor**

Cr Dawn Collins

Cr Colin Hamilton

Cr James Craft

Cr Les Lambert

Cr Lyn Jablonski

Cr Mark Munro

Cr Robert McCutcheon

Cr Trudy Everingham

#### Other information

**ABN:** 99 352 328 405



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Narromine Shire Council

To the Councillors of Narromine Shire Council

### Opinion

I have audited the accompanying financial statements of Narromine 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:

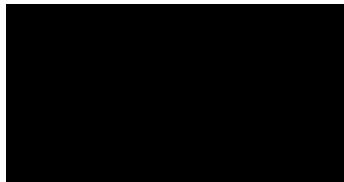
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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 20 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

29 October 2020  
SYDNEY



Clr Craig Davies  
Mayor  
Narromine Shire Council  
PO Box 115  
Narromine NSW 2821

Contact: Unaib Jeffrey  
Phone no: 02 9275 7450  
Our ref: D2024550/1769

29 October 2020

Dear Mayor

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





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

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

## INCOME STATEMENT

### Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	9.0	8.9	 1.1
Grants and contributions revenue	11.8	11.0	 7.3
Operating result from continuing operations	4.4	3.7	 18.9
Net operating result before capital grants and contributions	0.5	0.3	 66.7

The Council's operating result from continuing operations (\$4.4 million including depreciation and amortisation expense of \$5.3 million) was \$0.7 million higher than the 2018–19 result. This was primarily due to decrease in materials and contracts expenses, while total income remained relatively stable.

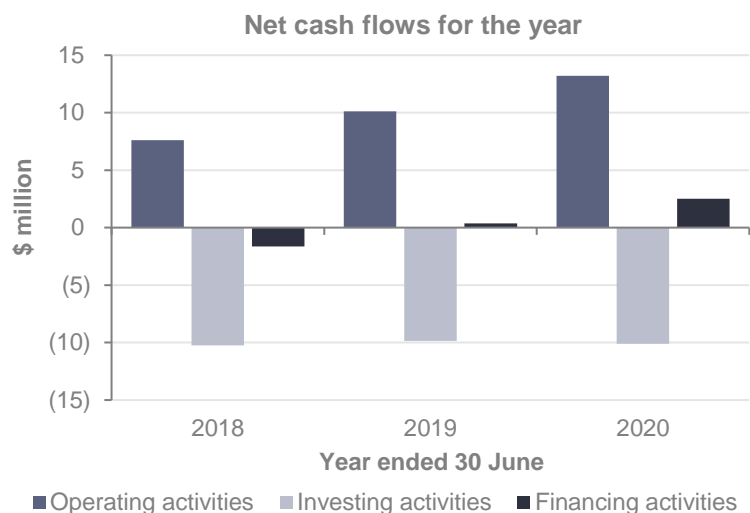
The net operating result before capital grants and contributions (\$0.5 million) was \$0.2 million higher than the 2018–19 result. This result is stable when compared to the prior year.

Rates and annual charges revenue (\$9.0 million) increased by \$0.2 million (1.1 per cent) in 2019–20 due mostly to the rate peg increase of 2.7 per cent.

Grants and contributions revenue (\$11.8 million) increased by \$0.8 million (7.1 per cent) in 2019–20. The main movements were a non-recurrent grant regarding drought emergency works for \$1.1 million, offset by decreased funds for recreational and culture grants.

## STATEMENT OF CASH FLOWS

- The Council reported an increase in cash and cash equivalents from \$24.2 million at 30 June 2019 to \$24.9 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 from investing activities increased mainly due to an increase in purchases of real estate assets.
- 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	11.6	11.6	<ul style="list-style-type: none"> <li>• External restrictions primarily include funds for water supply and sewerage services, specific purpose unexpended grants and domestic waste management.</li> </ul>
Internal restrictions	8.6	8.3	
Unrestricted	4.8	4.3	
<b>Cash and investments</b>	<b>24.9</b>	<b>24.2</b>	<ul style="list-style-type: none"> <li>• Internal restrictions are due to Council policy or decisions for forward plans including the capital works program.</li> <li>• Unrestricted balances provide liquidity for day-to-day operations and have increased from the prior year due to reduced external restrictions.</li> </ul>



# PERFORMANCE

## Performance measures

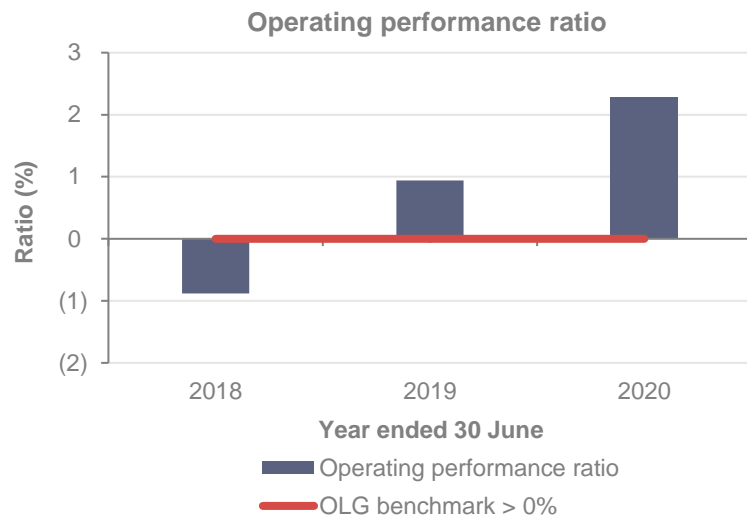
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

### 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 current reporting period.

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



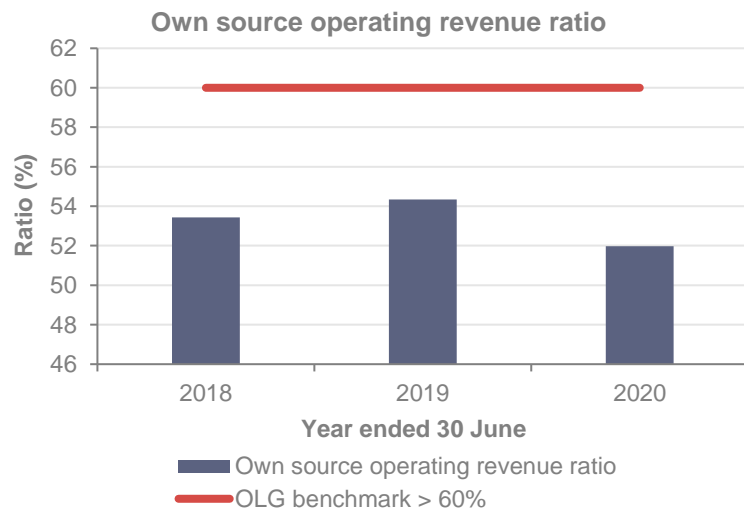
### Own source operating revenue ratio

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 not met the OLG benchmark for the current reporting period.

The ratio in 2019-20 remained consistent with the prior year.

This ratio reflects that Council has a greater reliance on grant funding as a source of revenue.

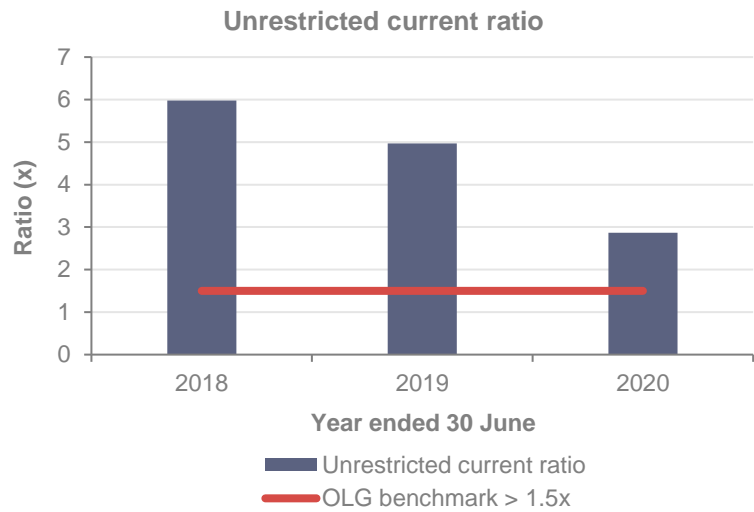


### Unrestricted current ratio

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 current reporting period.

This ratio indicates that Council currently has \$2.87 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

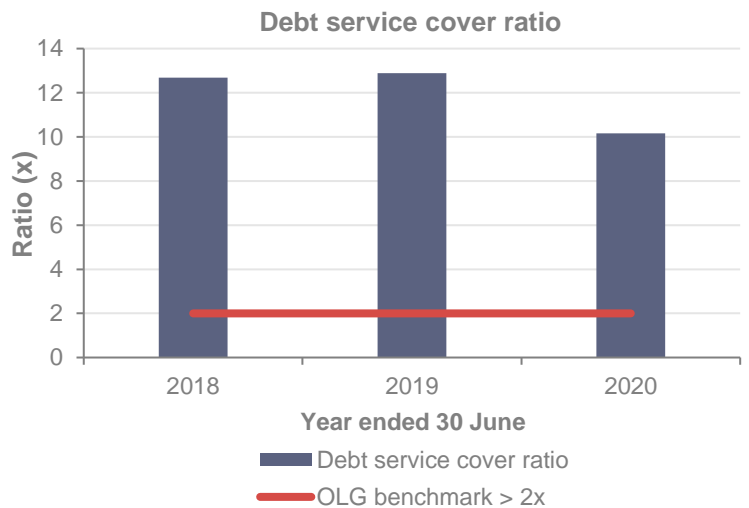


### Debt service cover ratio

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 current reporting period.

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

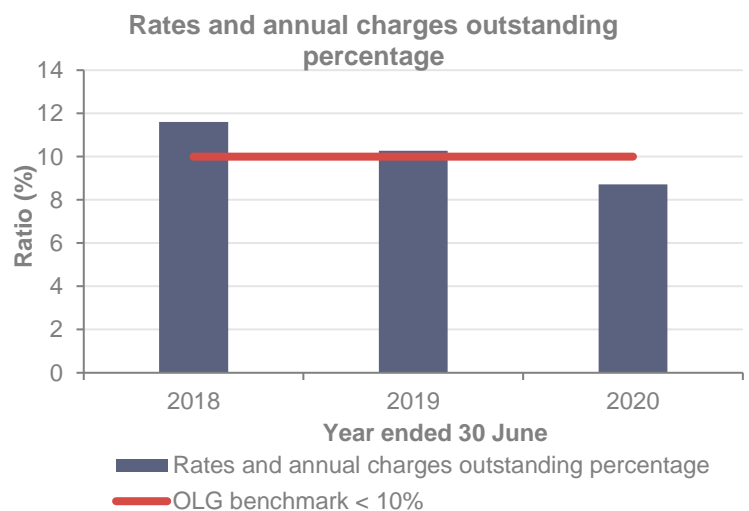


### Rates and annual charges outstanding percentage

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 exceeded 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.

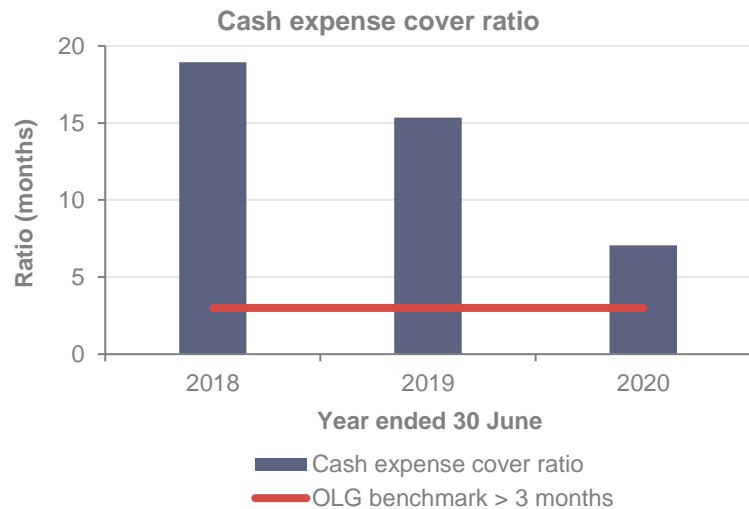


## Cash expense cover ratio

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 current reporting period.

This indicates that Council had the capacity to cover 7.1 months of cash expenditure without additional cash inflows at 30 June 2020.



## Infrastructure, property, plant and equipment renewals

Council spent \$10.8 million on asset renewals in 2019-20 compared to \$10.3 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 \$10.8 million represented 189% of Council's \$5.7 million depreciation expense. This result was 6.8% higher than the 2018-19 result of 177%.

Asset renewals in 2019-20 were carried out in accordance with Council's capital works program and were primarily related to road and swimming pool 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 did not recognise any 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 14.

## **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.

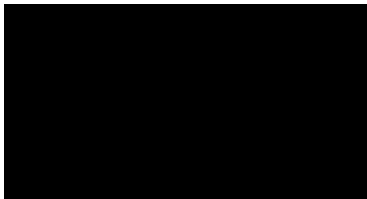
The Council did not recognise a right-of-use assets and lease liabilities at 1 July 2019 on adoption of AASB 16 as all Council leases were subject to the low value lease exemption from the standard.

The Council disclosed the impact of adopting AASB 16 in Note 14.

## **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  
Audit Leader

Delegate of the Auditor-General for New South Wales

cc: Ms Jane Redden, General Manager  
Mr Neil Maltby, Chair of the Audit, Risk and Improvement Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Narromine Shire Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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*To enhance our Shire's image, lifestyle and environment  
through effective leadership, community involvement and  
commitment to service.*



## Special Purpose Financial Statements

for the year ended 30 June 2020

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Statement of Financial Position – Water Supply Business Activity	6
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**Background**

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

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

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

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

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

## Narromine Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

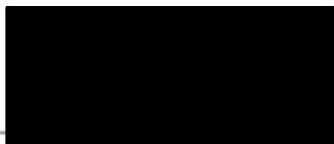
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government Code of Accounting Practice and Financial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

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

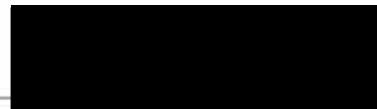
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

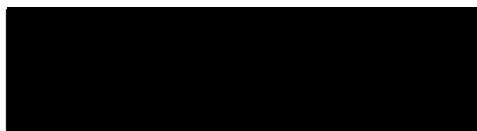
**Signed in accordance with a resolution of Council made on 09 September 2020.**



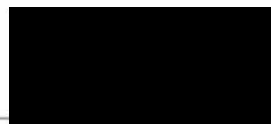
Cr Craig Davies  
**Mayor**  
09 September 2020



Cr Dawn Collins  
**Councillor**  
09 September 2020



Jane Redden  
**General Manager**  
09 September 2020



John Sevil  
**Responsible Accounting Officer**  
09 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	620	605
User charges	1,244	1,236
Fees	9	42
Interest	102	92
Grants and contributions provided for non-capital purposes	38	15
Other income	–	15
<b>Total income from continuing operations</b>	<b>2,013</b>	<b>2,005</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	481	434
Materials and contracts	1,144	1,054
Depreciation, amortisation and impairment	534	483
<b>Total expenses from continuing operations</b>	<b>2,159</b>	<b>1,971</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(146)</b>	<b>34</b>
Grants and contributions provided for capital purposes	1,112	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>966</b>	<b>34</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>966</b>	<b>34</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(9)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>966</b>	<b>25</b>
<b>Plus accumulated surplus</b>	<b>11,457</b>	<b>11,423</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	–	9
<b>Closing accumulated surplus</b>	<b>12,423</b>	<b>11,457</b>
<b>Return on capital %</b>	<b>(0.7)%</b>	<b>0.2%</b>
<b>Subsidy from Council</b>	<b>327</b>	<b>206</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	966	25
Less: capital grants and contributions (excluding developer contributions)	(1,112)	–
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>25</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>12</b>



## Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	1,143	1,113
User charges	319	354
Liquid trade waste charges	11	12
Interest	313	63
Grants and contributions provided for non-capital purposes	20	–
<b>Total income from continuing operations</b>	<b>1,806</b>	<b>1,542</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	179	174
Materials and contracts	696	628
Depreciation, amortisation and impairment	408	439
Other expenses	23	27
<b>Total expenses from continuing operations</b>	<b>1,306</b>	<b>1,268</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>500</b>	<b>274</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>500</b>	<b>274</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>500</b>	<b>274</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(138)	(75)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>362</b>	<b>199</b>
<b>Plus accumulated surplus</b>	<b>10,443</b>	<b>10,169</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	138	75
<b>Closing accumulated surplus</b>	<b>10,943</b>	<b>10,443</b>
<b>Return on capital %</b>	<b>2.6%</b>	<b>1.4%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	363	199
<b>Surplus for dividend calculation purposes</b>	<b>363</b>	<b>199</b>
<b>Potential dividend calculated from surplus</b>	<b>181</b>	<b>99</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	–	628
Investments	1,461	1,667
Receivables	235	343
<b>Total current assets</b>	<b>1,696</b>	<b>2,638</b>
<b>Non-current assets</b>		
Receivables	180	199
Infrastructure, property, plant and equipment	20,622	18,201
<b>Total non-current assets</b>	<b>20,802</b>	<b>18,400</b>
<b>TOTAL ASSETS</b>	<b>22,498</b>	<b>21,038</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	46	–
<b>Total current liabilities</b>	<b>46</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>46</b>	<b>–</b>
<b>NET ASSETS</b>	<b>22,452</b>	<b>21,038</b>
<b>EQUITY</b>		
Accumulated surplus	12,424	11,456
Revaluation reserves	10,028	9,582
<b>TOTAL EQUITY</b>	<b>22,452</b>	<b>21,038</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	5,374	4,636
Investments	1,823	1,828
Receivables	229	289
<b>Total current assets</b>	<b>7,426</b>	<b>6,753</b>
<b>Non-current assets</b>		
Receivables	78	39
Infrastructure, property, plant and equipment	19,124	19,131
<b>Total non-current assets</b>	<b>19,202</b>	<b>19,170</b>
<b>TOTAL ASSETS</b>	<b>26,628</b>	<b>25,923</b>
<b><u>NET ASSETS</u></b>	<b><u>26,628</u></b>	<b><u>25,923</u></b>
<b>EQUITY</b>		
Accumulated surplus	10,944	10,444
Revaluation reserves	15,684	15,479
<b><u>TOTAL EQUITY</u></b>	<b><u>26,628</u></b>	<b><u>25,923</u></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 SPFS have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

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

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

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 NCP 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)

##### Narromine Shire Council Water Supply

Comprising the whole of the operations and net assets of the water supply activities of Council servicing the towns of Narromine, Trangie, and Tomingley.

##### Category 2

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

##### Narromine Shire Council Sewerage Service

Comprising the whole of the operations and net assets of the sewerage reticulation and treatment activities of Council servicing the towns of Narromine and Trangie.

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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

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#### Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Department of Industry (Dol) - Water, the amounts shown in Note 2 and Note 3 are disclosed in whole 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 Dol - Water, 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 NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

#### Income tax

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

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

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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

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#### 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:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30 June 2019.

#### (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 DoI - Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DoI - 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 DoI - Water.



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

To the Councillors of Narromine Shire Council

## **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Narromine 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.

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.

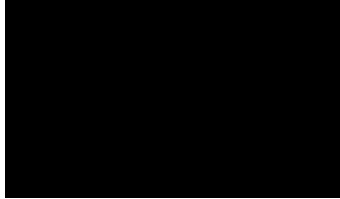
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, 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.



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

29 October 2020  
SYDNEY

# Narromine Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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*To enhance our Shire's image, lifestyle and environment  
through effective leadership, community involvement and  
commitment to service.*



**Special Schedules**

for the year ended 30 June 2020

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Contents	Page
<b>Special Schedules</b>	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	8

## Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	5,872	5,718
Plus or minus adjustments <sup>2</sup>	b	(8)	(1)
<b>Notional general income</b>	c = a + b	<b>5,864</b>	<b>5,717</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)	152	154
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>6,016</b>	<b>5,871</b>
Plus (or minus) last year's carry forward total	l	-	1
<b>Sub-total</b>	n = (l + m)	<b>-</b>	<b>1</b>
<b>Total permissible income</b>	o = k + n	<b>6,016</b>	<b>5,872</b>
Less notional general income yield	p	6,017	5,872
<b>Catch-up or (excess) result</b>	q = o - p	<b>-</b>	<b>-</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>-</b>	<b>-</b>

**Notes**

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

Permissible income for general rates (continued)

\$ '000	Notes	2020/21 New entity name	2019/20 New entity name
<b>Permissible income calculation</b>			
<b>Total permissible income</b>	o = k + n	—	—
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	—	—

**Notes**

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### Narromine Shire Council

To the Councillors of Narromine Shire Council

### Opinion

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

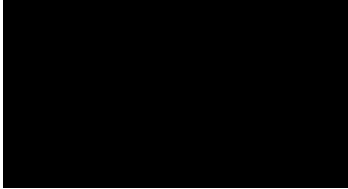
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.



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

29 October 2020  
SYDNEY



Report on Infrastructure Assets  
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
<b>(a) Report on Infrastructure Assets - Values</b>													
<b>Buildings</b>	Buildings	793	793	1,089	1,173	18,816	39,663	17.0%	61.0%	20.0%	2.0%	0.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>793</b>	<b>793</b>	<b>1,089</b>	<b>1,173</b>	<b>18,816</b>	<b>39,663</b>	<b>17.0%</b>	<b>61.0%</b>	<b>20.0%</b>	<b>2.0%</b>	<b>0.0%</b>	
<b>Other structures</b>	Other structures	153	153	–	–	3,538	5,092	55.0%	27.0%	14.0%	3.0%	1.0%	
	<b>Sub-total</b>	<b>153</b>	<b>153</b>	<b>–</b>	<b>–</b>	<b>3,538</b>	<b>5,092</b>	<b>55.0%</b>	<b>27.0%</b>	<b>14.0%</b>	<b>3.0%</b>	<b>1.0%</b>	
<b>Roads</b>	Sealed roads	1,799	1,799	1,479	1,200	156,377	179,877	23.0%	12.0%	64.0%	1.0%	0.0%	
	Unsealed roads	345	345	2,930	2,328	25,760	34,482	42.0%	44.0%	13.0%	1.0%	0.0%	
	Bridges	205	205	–	–	13,229	20,454	50.0%	34.0%	15.0%	1.0%	0.0%	
	Footpaths	104	104	5	5	1,677	3,476	14.0%	39.0%	44.0%	3.0%	0.0%	
	Other road assets	476	476	384	381	10,058	15,857	30.0%	29.0%	36.0%	3.0%	2.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>2,929</b>	<b>2,929</b>	<b>4,798</b>	<b>3,914</b>	<b>207,101</b>	<b>254,146</b>	<b>28.1%</b>	<b>19.5%</b>	<b>51.1%</b>	<b>1.2%</b>	<b>0.1%</b>	
<b>Water supply network</b>	Water supply network	308	308	1,411	1,385	17,029	30,847	46.0%	44.0%	9.0%	1.0%	0.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>308</b>	<b>308</b>	<b>1,411</b>	<b>1,385</b>	<b>17,029</b>	<b>30,847</b>	<b>46.0%</b>	<b>44.0%</b>	<b>9.0%</b>	<b>1.0%</b>	<b>0.0%</b>	
<b>Sewerage network</b>	Sewerage network	285	285	721	762	18,689	28,451	75.0%	9.0%	13.0%	1.0%	2.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>285</b>	<b>285</b>	<b>721</b>	<b>762</b>	<b>18,689</b>	<b>28,451</b>	<b>75.0%</b>	<b>9.0%</b>	<b>13.0%</b>	<b>1.0%</b>	<b>2.0%</b>	
<b>Stormwater drainage</b>	Stormwater drainage	920	920	288	252	14,907	23,009	25.0%	38.0%	33.0%	4.0%	0.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>920</b>	<b>920</b>	<b>288</b>	<b>252</b>	<b>14,907</b>	<b>23,009</b>	<b>25.0%</b>	<b>38.0%</b>	<b>33.0%</b>	<b>4.0%</b>	<b>0.0%</b>	
<b>Open space / recreational assets</b>	Swimming pools	50	50	264	405	3,791	5,035	4.0%	90.0%	4.0%	1.0%	1.0%	
	Other Open Space Recreational	156	156	1,036	1,070	3,023	5,214	15.0%	51.0%	31.0%	3.0%	0.0%	
	<b>Sub-total</b>	<b>206</b>	<b>206</b>	<b>1,300</b>	<b>1,475</b>	<b>6,814</b>	<b>10,249</b>	<b>9.6%</b>	<b>70.2%</b>	<b>17.7%</b>	<b>2.0%</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					
Other infrastructure assets	Other	661	661	1,818	1,830	265	33,038	16.0%	15.0%	66.0%	2.0%	1.0%
	<b>Sub-total</b>	<b>661</b>	<b>661</b>	<b>1,818</b>	<b>1,830</b>	<b>265</b>	<b>33,038</b>	<b>16.0%</b>	<b>15.0%</b>	<b>66.0%</b>	<b>2.0%</b>	<b>1.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>6,255</b>	<b>6,255</b>	<b>11,425</b>	<b>10,791</b>	<b>287,159</b>	<b>424,495</b>	<b>30.3%</b>	<b>26.4%</b>	<b>41.5%</b>	<b>1.5%</b>	<b>0.3%</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

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>7,357</b>	<b>153.11%</b>	190.39%	148.36%	>=100.00%
Depreciation, amortisation and impairment	<b>4,805</b>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>6,255</b>	<b>2.18%</b>	2.14%	7.23%	<2.00%
Net carrying amount of infrastructure assets	<b>287,159</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>10,791</b>	<b>94.45%</b>	94.46%	97.92%	>100.00%
Required asset maintenance	<b>11,425</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>6,255</b>	<b>1.47%</b>	1.56%	5.01%	
Gross replacement cost	<b>424,495</b>				

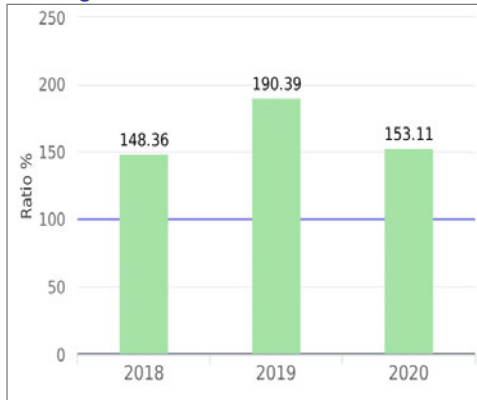
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes WIP

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

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

**Buildings and infrastructure renewals ratio**



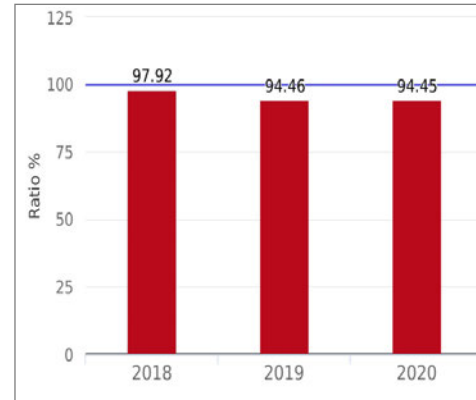
**Buildings and infrastructure renewals ratio**

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

Commentary on result	
19/20 ratio	153.11%

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

**Asset maintenance ratio**



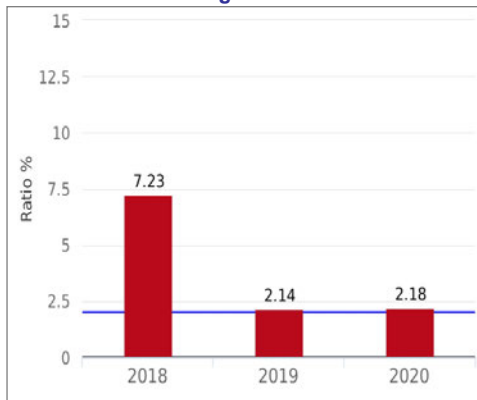
**Asset maintenance ratio**

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

Commentary on result	
19/20 ratio	94.45%

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

**Infrastructure backlog ratio**



**Infrastructure backlog ratio**

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

Commentary on result	
19/20 ratio	2.18%

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

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



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

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

Commentary on result	
19/20 ratio	1.47%

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

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>Infrastructure asset performance indicators (by fund)</b>							
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>							
Asset renewals <sup>2</sup>							
Depreciation, amortisation and impairment	<b>164.28%</b>	183.31%	<b>164.79%</b>	351.55%	<b>32.11%</b>	83.83%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>2.25%</b>	2.12%	<b>1.81%</b>	3.32%	<b>1.52%</b>	1.45%	<2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>93.02%</b>	93.02%	<b>98.16%</b>	98.18%	<b>105.69%</b>	105.71%	>100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>1.55%</b>	1.58%	<b>1.00%</b>	2.00%	<b>1.00%</b>	0.96%	

(1) Excludes 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.