

Gwydir Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



Gwydir Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

33 Miatland Street
Bingara NSW 2404

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.gwydirshire.com.

Gwydir Shire Council

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements
for the year ended 30 June 2020

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

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

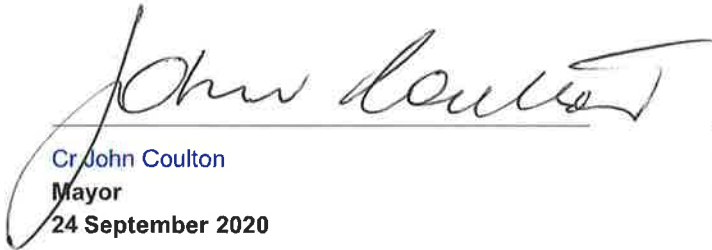
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

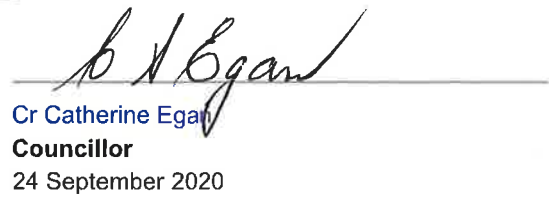
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

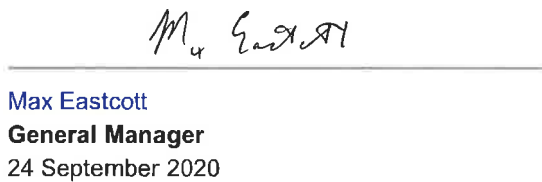
Signed in accordance with a resolution of Council made on 24 September 2020.



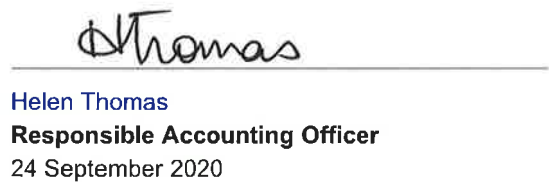
Cr John Coulton
Mayor
24 September 2020



Cr Catherine Egan
Councillor
24 September 2020



Max Eastcott
General Manager
24 September 2020



Helen Thomas
Responsible Accounting Officer
24 September 2020

Income Statement

for the year ended 30 June 2020

<i>Original unaudited budget 2020</i>	<i>\$ '000</i>	Notes	<i>Actual 2020</i>	<i>Actual 2019</i>
Income from continuing operations				
10,725	Rates and annual charges	3a	10,548	10,314
3,328	User charges and fees	3b	3,467	3,495
3,674	Other revenues	3c	4,147	4,166
11,755	Grants and contributions provided for operating purposes	3d,3e	10,332	9,709
2,678	Grants and contributions provided for capital purposes	3d,3e	2,869	5,114
179	Interest and investment income	4	153	263
460	Net gains from the disposal of assets	6	–	–
–	Reversal of revaluation decrements / impairment of IPP&E previously expensed	5d	1,986	–
320	Rental income	12c	329	–
33,119	Total income from continuing operations		33,831	33,061
Expenses from continuing operations				
12,292	Employee benefits and on-costs	5a	12,366	11,607
520	Borrowing costs	5b	632	615
8,546	Materials and contracts	5c	6,595	6,503
7,991	Depreciation and amortisation	5d	8,259	8,265
3,019	Other expenses	5e	2,316	2,120
–	Net losses from the disposal of assets	6	2,576	120
32,368	Total expenses from continuing operations		32,744	29,230
751	Operating result from continuing operations		1,087	3,831
751	Net operating result for the year		1,087	3,831
751	Net operating result attributable to council		1,087	3,831
(1,927)	Net operating result for the year before grants and contributions provided for capital purposes		(1,782)	(1,283)

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
Net operating result for the year (as per Income Statement)		1,087	3,831
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	1,937	342
Total items which will not be reclassified subsequently to the operating result		1,937	342
Total other comprehensive income for the year		1,937	342
Total comprehensive income for the year		3,024	4,173
Total comprehensive income attributable to Council		3,024	4,173

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
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	3,936	3,787
Investments	7(b)	7,631	8,606
Receivables	8	2,549	1,894
Inventories	9	798	804
Contract assets	11a	921	–
Other		39	–
Total current assets		<u>15,874</u>	<u>15,091</u>
Non-current assets			
Infrastructure, property, plant and equipment	10	412,087	410,006
Right of use assets		–	–
Total non-current assets		<u>412,087</u>	<u>410,006</u>
Total assets		<u>427,961</u>	<u>425,097</u>
LIABILITIES			
Current liabilities			
Payables	13	3,645	3,578
Contract liabilities	11b	1,571	–
Borrowings	13	1,180	1,274
Provisions	14	2,853	2,725
Total current liabilities		<u>9,249</u>	<u>7,577</u>
Non-current liabilities			
Borrowings	13	7,085	8,266
Provisions	14	3,904	3,842
Total non-current liabilities		<u>10,989</u>	<u>12,108</u>
Total liabilities		<u>20,238</u>	<u>19,685</u>
Net assets		<u>407,723</u>	<u>405,412</u>
EQUITY			
Accumulated surplus	15	278,105	277,731
Revaluation reserves	15	129,618	127,681
Council equity interest		<u>407,723</u>	<u>405,412</u>
Total equity		<u>407,723</u>	<u>405,412</u>

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		277,731	127,681	405,412	273,900	127,339	401,239
Changes due to AASB 1058 and AASB 15 adoption	15	(713)	–	(713)	–	–	–
Changes due to AASB 16 adoption		–	–	–	–	–	–
Net operating result for the year		1,087	–	1,087	3,831	–	3,831
Restated net operating result for the period		1,087	–	1,087	3,831	–	3,831
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	1,937	1,937	–	342	342
Other comprehensive income		–	1,937	1,937	–	342	342
Total comprehensive income		1,087	1,937	3,024	3,831	342	4,173
Equity – balance at end of the reporting period		278,105	129,618	407,723	277,731	127,681	405,412

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

<i>Original unaudited budget 2020</i>	<i>\$ '000</i>	Notes	<i>Actual 2020</i>	<i>Actual 2019</i>
Cash flows from operating activities				
Receipts:				
10,725	Rates and annual charges		10,590	10,315
4,178	User charges and fees		3,462	3,803
179	Investment and interest revenue received		146	280
16,428	Grants and contributions		13,475	15,678
–	Bonds, deposits and retention amounts received		5	–
1,149	Other		5,028	5,161
Payments:				
(12,292)	Employee benefits and on-costs		(12,267)	(11,967)
(9,308)	Materials and contracts		(8,134)	(6,592)
(480)	Borrowing costs		(581)	(486)
–	Bonds, deposits and retention amounts refunded		–	(55)
(1,149)	Other		(2,282)	(2,751)
9,430	Net cash provided (or used in) operating activities	16b	9,442	13,386
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		12,975	12,000
560	Sale of infrastructure, property, plant and equipment		495	263
Payments:				
–	Purchase of investment securities		(12,000)	(14,764)
(10,053)	Purchase of infrastructure, property, plant and equipment		(9,488)	(11,219)
–	Purchase of real estate assets		–	(179)
(9,493)	Net cash provided (or used in) investing activities		(8,018)	(13,899)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		–	2,023
Payments:				
(1,317)	Repayment of borrowings and advances		(1,275)	(1,208)
(1,317)	Net cash flow provided (used in) financing activities		(1,275)	815
(1,380)	Net increase/(decrease) in cash and cash equivalents		149	302
2,850	Plus: cash and cash equivalents – beginning of year	16a	3,787	3,485
1,470	Cash and cash equivalents – end of the year	16a	3,936	3,787
8,650	plus: Investments on hand – end of year	7(b)	7,631	8,606
10,120	Total cash, cash equivalents and investments		11,567	12,393

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

These financial statements were authorised for issue by Council on 02 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 consolidated financial statements are set out below.

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated tip remediation provisions – refer Note 14
- (iii) employee benefit provisions – refer Note 14.

Covid 19 Impacts

Covid 19 has caused a disruption to council's business practices with a number of staff working remotely from home or at other council facilities away from the main administration building. Whilst this has caused some inconvenience it has not resulted in significant additional cost. Some costs have been incurred for additional equipment and staff salaries for employee required to isolate.

Council has provided some rent relief to the lessee of the Roxy Theatre Cafe to compensate for lost income due to the compulsory lockdown and some additional costs have been incurred in cleaning of council facilities.

Rate collections are marginally less the previous year's however it is not known if this is a consequence of Covid or attributable to the prolonged drought. Other receivables have not been impacted.

Overall, the financial impact has not been significant and is not anticipated to increase in future years.

Council is of the view that physical non-current assets will not experience substantial declines in value due to Covid. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to Covid.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

For assets where fair value is determined by market value Council has no evidence of material changes to these values. With Covid emerging late in the financial reporting cycle it is not practical to obtain external valuations of these assets at 30 June 2020.

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service
- Waste management
- Naroo Aged Care

(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 properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements.

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council makes use of volunteers for the community transport program, events and information centres. The value of these services are not of a material nature and as such have not been included within the financials.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

New accounting standards adopted during the year

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

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

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 15.

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

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

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

\$ '000	<i>Income from continuing operations</i>		<i>Expenses from continuing operations</i>		<i>Operating result from continuing operations</i>		<i>Grants included in income from continuing operations</i>		<i>Carrying amount of assets</i>	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Social	3,968	4,218	4,776	4,580	(808)	(362)	2,377	1,942	19,641	13,945
Economic	9,639	9,790	10,433	10,223	(794)	(433)	3,016	3,048	320,958	340,664
Environment	3,294	2,946	3,137	2,648	157	298	230	185	22,065	20,212
Civic Leadership	777	667	1,662	1,536	(885)	(869)	–	–	5,925	3,941
Governance	16,153	15,440	12,736	10,243	3,417	5,197	5,589	6,807	59,372	46,335
Total functions and activities	33,831	33,061	32,744	29,230	1,087	3,831	11,212	11,982	427,961	425,097

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Social

Includes aged and disability services, social services, library, emergency services, parks and urban spaces, public health.

Economic

Includes Gwydir Learning Region, shire roads, asset management, sewerage services, marketing & promotion.

Environment

Includes development and land use management, water supply, environmental protection, waste operations and circular economy.

Civic Leadership

Includes organisational development & recreational facilities.

Governance

Includes technical services, governance, financial operations, information services, compliance, town utilities and plant operations.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	1,256	1,227
Farmland	1058 (1)	6,400	6,256
Business	1058 (1)	264	215
Less: pensioner rebates (mandatory)	1058 (1)	(92)	(89)
Rates levied to ratepayers		7,828	7,609
Pensioner rate subsidies received	1058 (1)	49	48
Total ordinary rates		7,877	7,657
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	569	652
Stormwater management services	1058 (1)	36	36
Water supply services	1058 (1)	685	686
Sewerage services	1058 (1)	626	626
Waste management services (non-domestic)	1058 (1)	823	727
Less: pensioner rebates (mandatory)	1058 (1)	(148)	(151)
Annual charges levied		2,591	2,576
Pensioner subsidies received:			
– Water	1058 (1)	24	24
– Sewerage	1058 (1)	20	20
– Domestic waste management	1058 (1)	36	37
Total annual charges		2,671	2,657
TOTAL RATES AND ANNUAL CHARGES		10,548	10,314

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

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

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

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

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

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	578	666
Sewerage services	15 (2)	62	69
Total specific user charges		640	735
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	15 (1)	5	13
Planning and building regulation	15 (1)	69	61
Private works – section 67	15 (2)	277	161
Registration fees	15 (1)	7	8
Section 603 certificates	15 (1)	9	9
Total fees and charges – statutory/regulatory		367	252
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Caravan park	15 (1)	184	376
Cemeteries	15 (1)	42	35
Child care	15 (1)	3	3
Park rents	15 (1)	6	–
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (2)	1,832	1,698
Tourism	15 (1)	6	5
Gwydir learning region	15 (1)	55	34
Home and community care / community transport	15 (1)	85	119
Pre-school services	15 (1)	149	107
Roxy theatre	15 (1)	20	46
Community fitness	15 (1)	30	34
Other	15 (1)	48	51
Total fees and charges – other		2,460	2,508
TOTAL USER CHARGES AND FEES		3,467	3,495

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

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

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

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

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

Accounting policy for user charges and fees

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

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

2019 accounting policy

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

\$ '000	AASB	2020	2019
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties (2019 only)		–	243
Fines – other	1058 (1)	10	8
Legal fees recovery – rates and charges (extra charges)	15 (1)	10	7
Commissions and agency fees	15 (1)	119	115
Diesel rebate	1058 (1)	98	94
Insurance claims recoveries	1058 (1)	24	16
Sales – general	15 (1)	57	54
Emergency services reimbursements	1058 (1)	123	118
Employee related	1058 (1)	82	89
Festivals	15 (1)	12	13
Medical centres	1058 (1)	6	6
Naroo	15 (2)	2,690	2,438
Sewer operations	15 (1)	1	1
Waste management revenues	15 (1)	69	16
Tourism	15 (1)	31	53
Insurance Incentives	1058 (1)	60	55
Water supplies	15 (1)	8	33
Companion Animals Reimbursement	1058 (1)	12	6
Advertising Income	15 (1)	92	3
Container Deposit reimbursement	15 (1)	53	45
Namoi Joint Organisation reimbursement	15 (1)	40	239
Crown Land Assets Reconciliation		–	373
Road Asset Reconciliation		506	–
Volunteer Services	15 (1)	–	–
Other	15 (1)	44	141
TOTAL OTHER REVENUE		4,147	4,166

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

Fines are recognised as revenue when the fine has been paid.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance	1058 (1)	2,301	2,335	–	–
Payment in advance - future year allocation					
Financial assistance	1058 (1)	2,439	2,421	–	–
Total general purpose		4,740	4,756	–	–
Specific purpose					
Aged care	1058 (2)	–	–	88	361
Child care	1058 (1)	28	30	–	–
Community care	1058 (1)	345	288	–	–
Community centres	1058 (1)	49	46	–	–
Economic development	15 (2)	8	–	–	–
Employment and training programs	1058 (1)	22	32	–	–
Environmental programs	1058 (1)	–	–	–	–
Library	1058 (1)	75	45	–	–
Noxious weeds	1058 (2)	70	69	–	–
NSW rural fire services	1058 (2)	239	175	–	–
Recreation and culture	1058 (1)	15	–	185	40
Street lighting	1058 (1)	21	20	–	–
Transport (other roads and bridges funding)	1058 (2)	–	–	833	2,881
Family first – DOCS	1058 (1)	104	102	–	–
Preschool	1058 (1)	293	261	–	–
Tharawonga operational	1058 (1)	404	328	–	–
Transport (3x3, flood works, roads to recovery)	1058 (2)	1,773	890	–	–
Drought Communities	1058 (2)	200	335	49	433
Stronger Country Communities - Council Projects	1058 (2)	–	–	1,183	526
Stronger Country Communities - Community Projects	15 (2)	180	285	–	–
Big River Dreaming	1058 (1)	50	–	254	–
Crown Lands	1058 (1)	–	76	–	–
Caravan Park	1058 (2)	–	–	–	–
Other	1058 (1)	4	3	–	–
Total specific purpose		3,880	2,985	2,592	4,241
Total grants		8,620	7,741	2,592	4,241
Grant revenue is attributable to:					
– Commonwealth funding		7,330	6,506	684	2,256
– State funding		1,290	1,235	1,908	1,985
		8,620	7,741	2,592	4,241

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	195	238
Total developer contributions – cash			–	–	195	238
Total developer contributions	23		–	–	195	238
Other contributions:						
Cash contributions						
Community services		1058 (1)	3	–	–	–
Recreation and culture			–	6	–	10
Roads and bridges			–	–	–	15
RMS contributions (regional roads, block grant)		1058 (2)	1,671	1,924	–	592
Sewerage (excl. section 64 contributions)		1058 (1)	–	–	–	2
Tourism		1058 (1)	–	–	–	–
Other		1058 (1)	38	38	–	16
Self help roadwork contributions		1058 (2)	–	–	82	–
Total other contributions – cash			1,712	1,968	82	635
Total other contributions			1,712	1,968	82	635
Total contributions			1,712	1,968	277	873
TOTAL GRANTS AND CONTRIBUTIONS			10,332	9,709	2,869	5,114

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

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

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

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

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

Accounting policy for grants and contributions

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in note 3(f).

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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.

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	390	229
Add: operating grants recognised as income in the current period but not yet spent	198	252
Less: operating grants recognised in a previous reporting period now spent	(180)	(91)
Unexpended and held as externally restricted assets (operating grants)	<u>408</u>	<u>390</u>
Capital grants		
Unexpended at the close of the previous reporting period	856	237
Add: capital grants recognised as income in the current period but not yet spent	25	656
Less: capital grants recognised in a previous reporting period now spent	(856)	(37)
Unexpended and held as externally restricted assets (capital grants)	<u>25</u>	<u>856</u>
Contributions		
Unexpended at the close of the previous reporting period	262	256
Add: contributions recognised as income in the current period but not yet spent	291	6
Less: contributions recognised in a previous reporting period now spent	(262)	–
Unexpended and held as externally restricted assets (contributions)	<u>291</u>	<u>262</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	21	23
– Cash and investments	57	76
Distribution income relating to investments held at fair value through profit and loss	75	164
Total Interest and investment income	153	263
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	11	14
General Council cash and investments	49	75
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	3	6
Water fund operations	11	17
Sewerage fund operations	36	80
Domestic waste management operations	43	71
Total interest and investment revenue	153	263

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	9,637	9,459
Employee leave entitlements (ELE)	2,083	1,960
Superannuation	1,220	1,184
Workers' compensation insurance	574	529
Fringe benefit tax (FBT)	29	29
Other	18	30
Total employee costs	13,561	13,191
Less: capitalised costs	(1,195)	(1,584)
TOTAL EMPLOYEE COSTS EXPENSED	12,366	11,607

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 15 for more information.

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		530	485
Total interest bearing liability costs		530	485
Total interest bearing liability costs expensed		530	485
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	14	59	81
Amortisation of discounts and premiums: – unwinding discount on reduced interest loan		43	49
Total other borrowing costs		102	130
TOTAL BORROWING COSTS EXPENSED		632	615

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	9,524	11,646
Contractor and consultancy costs		
– Consultants	436	345
– Domestic waste management contract	99	99
– Health services	14	12
– Pools	169	122
– Road infrastructure contractors	661	997
– Other	2,723	2,818
Auditors remuneration ²	60	73
Legal expenses:		
– Legal expenses: debt recovery	13	18
– Legal expenses: other	53	10
Expenses from leases of low value assets (2020 only)	22	–
Variable lease expense relating to usage (2020 only)	42	–
Total materials and contracts	13,816	16,140
Less: capitalised costs	(7,221)	(9,637)
TOTAL MATERIALS AND CONTRACTS	6,595	6,503

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

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	55	69
Remuneration for audit and other assurance services	55	69
Total Auditor-General remuneration	55	69

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

Audit and review of financial statements	5	4
Remuneration for audit and other assurance services	5	4
Total remuneration of non NSW Auditor-General audit firms	5	4
Total Auditor remuneration	60	73

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,013	935
Office equipment		64	69
Furniture and fittings		47	50
Land improvements (depreciable)		1	–
Infrastructure:	10		
– Buildings – non-specialised		613	888
– Buildings – specialised		462	754
– Other structures		239	296
– Roads		4,549	4,380
– Bridges		13	11
– Footpaths		20	20
– Stormwater drainage		37	35
– Water supply network		365	385
– Sewerage network		182	187
– Swimming pools		109	113
Other assets:			
– Other		10	9
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	14,10	513	103
– Quarry assets	14,10	22	30
Total gross depreciation and amortisation costs		<u>8,259</u>	<u>8,265</u>
Total depreciation and amortisation costs		<u>8,259</u>	<u>8,265</u>
Impairment / revaluation decrement of IPP&E			
Infrastructure:	10		
– Buildings – non-specialised		(1,986)	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		<u>(1,986)</u>	<u>–</u>
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		<u>(1,986)</u>	<u>–</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>6,273</u>	<u>8,265</u>

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

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

Impairment of non-financial assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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

\$ '000	2020	2019
(e) Other expenses		
Advertising	29	31
Bad and doubtful debts	18	117
Bank charges	37	39
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	421	345
Councillor expenses – mayoral fee	29	27
Councillor expenses – councillors' fees	119	113
Councillors' expenses (incl. mayor) – other (excluding fees above)	68	108
Donations, contributions and assistance to other organisations (Section 356)	94	83
Electricity and heating	544	576
Insurance	591	542
Street lighting	60	78
Subscriptions and publications	80	157
Telephone and communications	199	204
Valuation fees	27	32
Reinstatement of Provision	–	(332)
Total other expenses	2,316	2,120
<u>TOTAL OTHER EXPENSES</u>	<u>2,316</u>	<u>2,120</u>

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		322	81
Less: carrying amount of property assets sold/written off		(447)	(42)
Net gain/(loss) on disposal		(125)	39
Plant and equipment			
	10		
Proceeds from disposal – plant and equipment		173	159
Less: carrying amount of plant and equipment assets sold/written off		(283)	(255)
Net gain/(loss) on disposal		(110)	(96)
Infrastructure			
	10		
Proceeds from disposal – infrastructure		–	23
Less: carrying amount of infrastructure assets sold/written off		(2,341)	(86)
Net gain/(loss) on disposal		(2,341)	(63)
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		12,000	12,000
Less: carrying amount of investments sold/redeemed/matured		(12,000)	(12,000)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,576)	(120)

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
Cash and cash equivalents		
Cash on hand and at bank	535	523
Cash-equivalent assets		
– Deposits at call	401	264
– Short-term deposits	3,000	3,000
Total cash and cash equivalents	3,936	3,787

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
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	7,631	–	8,606	–
Total Investments	7,631	–	8,606	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	11,567	–	12,393	–
Financial assets at fair value through the profit and loss				
Managed funds	7,631	–	8,606	–
Total	7,631	–	8,606	–

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:

- fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	11,567	–	12,393	–
attributable to:				
External restrictions	6,900	–	7,438	–
Internal restrictions	4,623	–	4,906	–
Unrestricted	44	–	49	–
	<u>11,567</u>	<u>–</u>	<u>12,393</u>	<u>–</u>

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	1,571	–
Specific purpose unexpended loans – general	–	274
Aged care bonds	700	290

External restrictions – included in liabilities

	<u>2,271</u>	<u>564</u>
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External restrictions – other

Developer contributions – general	288	262
Specific purpose unexpended grants (recognised as revenue) – general fund	433	1,246
Water supplies	770	560
Sewerage services	3,135	3,292
Domestic waste management	–	1,514
Other	3	–

External restrictions – other

	<u>4,629</u>	<u>6,874</u>
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Total external restrictions

	<u>6,900</u>	<u>7,438</u>
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Internal restrictions

Infrastructure replacement	–	250
Employees leave entitlement	–	900
Deposits, retentions and bonds	49	44
Advance Payment Financial Assistance Grant	1,400	2,421
Other waste	3,174	1,291

Total internal restrictions

	<u>4,623</u>	<u>4,906</u>
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TOTAL RESTRICTIONS

	<u>11,523</u>	<u>12,344</u>
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	380	–	344	–
Interest and extra charges	59	–	50	–
User charges and fees	412	–	266	–
Accrued revenues				
– Interest on investments	–	–	2	–
– Other income accruals	1,189	–	134	–
Government grants and subsidies	208	–	434	–
Developer Contributions	48	–	244	–
Net GST receivable	159	–	203	–
Sundry trade debtors	153	–	246	–
Other debtors	65	–	95	–
Total	2,673	–	2,018	–
Less: provision for impairment				
User charges and fees	(5)	–	(5)	–
Sundry debtors	(119)	–	(119)	–
Total provision for impairment – receivables	(124)	–	(124)	–
TOTAL NET RECEIVABLES	2,549	–	1,894	–
Externally restricted receivables				
Water supply				
– Rates and availability charges	46	–	42	–
– Other	161	–	237	–
Sewerage services				
– Rates and availability charges	30	–	31	–
– Other	30	–	37	–
Developer Contributions	147	–	238	–
Total external restrictions	414	–	585	–
Internally restricted receivables				
Financial Assistance Grant advance payment	1,039	–	–	–
Internally restricted receivables	1,039	–	–	–
Unrestricted receivables	1,096	–	1,309	–
TOTAL NET RECEIVABLES	2,549	–	1,894	–

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	124	7
+ new provisions recognised during the year	–	117
Balance at the end of the year	124	124

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

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

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

Covid 19

Council's rate and user charges collections have not been significantly impacted by the Covid 19 pandemic and are comparable to prior years, therefore no adjustment has been made to the impairment provision. Cashflows and interest income may be impacted in 2020/21 due to the State Government legislating that rate instalments can be deferred until September 30 and no interest can be charged for the first 6 months. The impact this may have is not able to be measured at this stage however it is not expected to be significant.

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
Inventories				
(i) Inventories at cost				
Real estate for resale	576	–	576	–
Stores and materials	222	–	228	–
Total inventories at cost	798	–	804	–
<u>TOTAL INVENTORIES</u>	<u>798</u>	<u>–</u>	<u>804</u>	<u>–</u>

(i) Other disclosures

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development				
Residential	576	–	576	–
Total real estate for resale	576	–	576	–
<small>(Valued at the lower of cost and net realisable value)</small>				
Represented by:				
Acquisition costs	397	–	397	–
Development costs	179	–	179	–
Total costs	576	–	576	–
Total real estate for resale	576	–	576	–
Movements:				
Real estate assets at beginning of the year	576	–	–	–
– Purchases and other costs	–	–	179	–
– Transfers in from (out to) Note 11	–	–	397	–
Total real estate for resale	576	–	576	–

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

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

\$ '000	2020	2019
Real estate for resale	510	451
	510	451

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

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.

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period									as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000															
Capital work in progress	7,655	–	7,655	5,701	–	–	–	–	(1,219)	–	–	–	12,137	–	12,137
Plant and equipment	17,737	(8,796)	8,941	–	1,306	(287)	(1,013)	–	126	–	–	–	18,581	(9,508)	9,073
Office equipment	864	(583)	281	–	90	–	(64)	–	–	–	–	–	954	(647)	307
Furniture and fittings	1,260	(561)	699	–	61	–	(47)	–	–	–	–	–	1,300	(587)	713
Land:															
– Operational land	4,777	–	4,777	–	–	(80)	–	–	–	–	–	1,220	5,917	–	5,917
– Community land	2,930	–	2,930	–	–	–	–	–	–	–	–	–	2,930	–	2,930
Land improvements – depreciable	–	–	–	–	–	–	(1)	–	64	–	–	–	64	(1)	63
Infrastructure:															
– Buildings – non-specialised	41,664	(24,861)	16,803	575	–	(446)	(613)	1,986	6	–	–	9,384	39,073	(11,378)	27,695
– Buildings – specialised	34,497	(18,900)	15,597	30	–	(277)	(462)	–	76	–	–	14,181	36,990	(7,845)	29,145
– Other structures	5,941	(1,537)	4,404	110	–	(7)	(239)	–	372	–	–	–	6,473	(1,833)	4,640
– Roads	326,965	(47,879)	279,086	780	506	(864)	(4,549)	–	369	(82,781)	(19,129)	–	195,830	(22,412)	173,418
– Bridges	38,547	(404)	38,143	219	–	–	(13)	–	28	–	(2,650)	–	43,860	(8,133)	35,727
– Footpaths	3,190	(524)	2,666	–	–	–	(20)	–	–	–	(1,273)	–	2,732	(1,359)	1,373
– Bulk earthworks (non-depreciable)	–	–	–	–	–	–	–	–	–	82,781	–	–	82,781	–	82,781
– Stormwater drainage	3,922	(2,095)	1,827	1	–	–	(37)	–	133	–	–	18	4,095	(2,153)	1,942
– Water supply network	23,001	(7,851)	15,150	39	–	(8)	(365)	–	18	–	–	141	23,264	(8,289)	14,975
– Sewerage network	12,617	(7,720)	4,897	38	–	–	(182)	–	27	–	–	45	12,802	(7,977)	4,825
– Swimming pools	2,708	(315)	2,393	–	–	(1,101)	(109)	–	–	–	–	–	1,368	(185)	1,183
Other assets:															
– Other	184	(46)	138	–	31	–	(10)	–	–	–	–	–	215	(56)	159
Reinstatement, rehabilitation and restoration assets (refer Note 11):															
– Tip assets	3,305	–	3,305	–	–	–	(513)	–	–	–	–	–	3,306	(514)	2,792
– Quarry assets	397	(83)	314	–	–	–	(22)	–	–	–	–	–	398	(106)	292
Total Infrastructure, property, plant and equipment	532,161	(122,155)	410,006	7,493	1,994	(3,070)	(8,259)	1,986	–	–	(23,052)	24,989	495,070	(82,983)	412,087

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

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

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

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 9)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	2,810	–	2,810	5,696	–	–	–	(851)	–	–	–	7,655	–	7,655
Plant and equipment	16,478	(8,321)	8,157	–	1,649	(255)	(935)	325	–	–	–	17,737	(8,796)	8,941
Office equipment	801	(513)	288	–	62	–	(69)	–	–	–	–	864	(583)	281
Furniture and fittings	1,260	(511)	749	–	–	–	(50)	–	–	–	–	1,260	(561)	699
Land:														
– Operational land	4,952	–	4,952	–	236	(42)	–	28	–	(397)	–	4,777	–	4,777
– Community land	2,557	–	2,557	–	373	–	–	–	–	–	–	2,930	–	2,930
Infrastructure:														
– Buildings – non-specialised	41,690	(24,157)	17,533	178	–	(41)	(888)	21	–	–	–	41,664	(24,861)	16,803
– Buildings – specialised	34,268	(18,151)	16,117	224	–	(22)	(754)	32	–	–	–	34,497	(18,900)	15,597
– Other structures	5,618	(1,261)	4,357	268	–	(3)	(296)	78	–	–	–	5,941	(1,537)	4,404
– Roads	324,381	(43,515)	280,866	2,382	–	–	(4,380)	218	–	–	–	326,965	(47,879)	279,086
– Bridges	38,547	(393)	38,154	–	–	–	(11)	–	–	–	–	38,547	(404)	38,143
– Footpaths	3,190	(504)	2,686	–	–	–	(20)	–	–	–	–	3,190	(524)	2,666
– Stormwater drainage	3,860	(2,027)	1,833	–	–	–	(35)	–	–	–	29	3,922	(2,095)	1,827
– Water supply network	22,405	(7,359)	15,046	130	–	(20)	(385)	143	–	–	236	23,001	(7,851)	15,150
– Sewerage network	12,392	(7,412)	4,980	21	–	–	(187)	6	–	–	77	12,617	(7,720)	4,897
– Swimming pools	2,707	(201)	2,506	–	–	–	(113)	–	–	–	–	2,708	(315)	2,393
Other assets:														
– Other	184	(37)	147	–	–	–	(9)	–	–	–	–	184	(46)	138
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
– Tip assets	1,462	(103)	1,359	–	–	–	(103)	–	2,049	–	–	3,305	–	3,305
– Quarry assets	397	(53)	344	–	–	–	(30)	–	–	–	–	397	(83)	314
Total Infrastructure, property, plant and equipment	519,959	(114,518)	405,441	8,899	2,320	(383)	(8,265)	–	2,049	(397)	342	532,161	(122,155)	410,006

(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 Crown Lands and Water (CLAW).

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

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

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:

Plant and equipment	Years	Other equipment	Years
Office equipment	3 to 20	Playground equipment	5 to 15
Office furniture	9 to 30	Benches, seats etc.	10 to 20
Vehicles, plant and equipment	5 to 50	Other Structures	5 to 100
Water and sewer assets		Buildings	
Dams and reservoirs	15 to 100	Buildings	6 to 262
Bores	10 to 30		
Reticulation pipes: PVC	100	Stormwater assets	
Pumps and telemetry	15 to 100	Drains	50 to 100
Treatment plant	10 to 100	Culverts	100
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 36	Bulk earthworks	infinite
Sealed roads: structure	36 to 200	Swimming pools	60
Unsealed roads	12 to 200	Other Assets	10 to 100
Bridge: concrete	150		
Bridge: other	100		
Kerb and gutter	100		
Footpaths	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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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".

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to recognise some of the rural fire service assets including land, buildings, some of the plant and vehicles. However, some fire fighting trucks (referred to as the Red Fleet) have not been recognised.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
(a) Contract assets			
Construction of roads		502	–
Construction of recreation assets		389	–
Community assets		30	–
Total Contract assets		921	–
Internally restricted assets			
Employee Leave Entitlements		900	–
Total internally restricted assets		900	–
Total restricted assets		900	–
Total unrestricted assets		21	–
Total contract assets		921	–

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	1,515	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	56	–
Total grants received in advance		1,571	–
Total contract liabilities		1,571	–

Notes

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

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	327
Operating grants (received prior to performance obligation being satisfied)	57
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	384

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities (continued)

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases

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

(i) Council as a lessee

Council has leases over a building and photocopiers. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Buildings

Council leases a building for the Gwydir News, the lease is for 1 years with a 2 year renewal option.

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

Council also leases the former St Mary's school for community purposes, this lease is for 3 years, expires on 30 June 2021 and has no renewal cause.

Right of Use Assets have not been bought in for these leases as they are short term with low annual rental.

Office and IT equipment

Leases for photocopiers are for low value assets. The leases are for 5 years with no renewal option, the payments are fixed, however the leases include variable payments based on usage.

\$ '000

2020

(a) Income Statement

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

Variable lease payments based on usage not included in the measurement of lease liabilities	42
Expenses relating to low-value leases	22
	64

(b) Statement of Cash Flows

Total cash outflow for leases	64
	64

Leases at significantly below market value – concessionary / peppercorn leases

Council has a lease at significantly below market for a building which is used for:

- a gymnasium

The lease is on-going at council discretion and requires a payment of a maximum amount of \$10 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. 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.

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

Refer to Note 5c.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

(ii) Council as a lessor

(c) Operating leases

Council leases out a number of properties for housing, caravan park residents, medical centres, cafe and commercial premises; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E. They have not been classified under AASB 140 Investment Property as they are either occupied by council employees, aged and permanent residents or held for strategic purposes.

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

\$ '000	2020
(i) Operating lease income	
Other lease income	
Housing Rent	33
Commercial Property	34
Medical Centres	29
Roxy Theatre	11
Community Housing	144
Caravan Park	78
Total income relating to operating leases	329

(iv) Maturity analysis of contractual lease income

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	311
1–2 years	311
2–3 years	311
3–4 years	311
4–5 years	311
> 5 years	311
Total undiscounted contractual lease income receivable	1,866

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	24	–	188	–
Accrued expenses:				
– Borrowings	60	–	68	–
– Salaries and wages	477	–	443	–
– Other expenditure accruals	922	–	162	–
Prepaid rates	241	–	163	–
Security bonds, deposits and retentions	49	–	44	–
Aged care deposits and bonds	1,747	–	2,415	–
Sundry	44	–	21	–
Other	81	–	74	–
Total payables	3,645	–	3,578	–
Borrowings				
Loans – secured ¹	1,180	7,085	1,274	8,266
Total borrowings	1,180	7,085	1,274	8,266
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>4,825</u>	<u>7,085</u>	<u>4,852</u>	<u>8,266</u>

(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 16.

\$ '000	2020	2019
(a) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	1,047	1,615
Total payables and borrowings	1,047	1,615

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	9,540	(1,318)	–	43	–	–	8,265
TOTAL	9,540	(1,318)	–	43	–	–	8,265

\$ '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	8,677	814	–	49	–	9,540
TOTAL	8,677	814	–	49	–	9,540

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

Bank overdraft facilities ¹	100	100
Credit cards/purchase cards	100	100
Total financing arrangements	200	200

Drawn facilities as at balance date:

– Credit cards/purchase cards	7	30
Total drawn financing arrangements	7	30

Undrawn facilities as at balance date:

– Bank overdraft facilities	100	100
– Credit cards/purchase cards	93	70
Total undrawn financing arrangements	193	170

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

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 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	1,202	–	1,129	–
Long service leave	1,651	106	1,596	103
Sub-total – aggregate employee benefits	2,853	106	2,725	103
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	3,798	–	3,739
Sub-total – asset remediation/restoration	–	3,798	–	3,739
<u>TOTAL PROVISIONS</u>	<u>2,853</u>	<u>3,904</u>	<u>2,725</u>	<u>3,842</u>

\$ '000	2020	2019
---------	------	------

(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	1,585	1,525
	1,585	1,525

(b) Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	3,739	3,739
Unwinding of discount	59	59
Total other provisions at end of year	3,798	3,798
2019		
At beginning of year	1,941	1,941
Remeasurement effects	1,716	1,716
Unwinding of discount	82	82
Total other provisions at end of year	3,739	3,739

Nature and purpose of non-employee benefit provisions**Asset remediation**

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

Accounting policy for provisions

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

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

Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

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.

The cost estimate for landfill rehabilitation has been based on phytocapping treatment which is yet to be approved by the EPA that recommends clay compaction. Estimated costs will increase if the EPA does not approve the different rehabilitation treatment.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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.

(ii) AASB 15 and AASB 1058

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

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

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

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

Licences

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

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

- Additional line items of contract assets, contract cost assets and contract liabilities have been created.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 15	56
– Under AASB 1058	657
Total Contract liabilities	713

Notes to the Financial Statements

for the year ended 30 June 2020

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

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	<i>Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058</i>	<i>Reclassific- ation</i>	<i>Remeasur- ement</i>	<i>Carrying amount under previous revenue standards</i>	<i>Notes</i>
Current assets					
Cash and cash equivalents	3,936	–	–	3,936	
Investments	7,631	–	–	7,631	
Receivables	2,549	921	–	3,470	
Inventories	798	–	–	798	
Contract assets	921	(921)	–	–	
Other	39	–	–	39	
Total current assets	15,874	–	–	15,874	
Current liabilities					
Payables	3,645	–	–	3,645	
Contract liabilities	1,571	–	(1,571)	–	
Borrowings	1,180	–	–	1,180	
Provisions	2,853	–	–	2,853	
Total current liabilities	9,249	–	(1,571)	7,678	
Non-current assets					
Infrastructure, property, plant and equipment	412,087	–	–	412,087	
Total non-current assets	412,087	–	–	412,087	
Non-current liabilities					
Borrowings	7,085	–	–	7,085	
Provisions	3,904	–	–	3,904	
Total Non-current liabilities	10,989	–	–	10,989	
Net assets	407,723	–	1,571	409,294	
Equity					
Accumulated surplus	278,105	–	1,571	279,676	
Revaluation reserves	129,618	–	–	129,618	
Council equity interest	407,723	–	1,571	409,294	
Total equity	407,723	–	1,571	409,294	

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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	10,548	–	–	10,548	
User charges and fees	3,467	–	–	3,467	
Other revenues	4,147	–	–	4,147	
Grants and contributions provided for operating purposes	10,332	–	30	10,362	
Grants and contributions provided for capital purposes	2,869	–	891	3,760	
Interest and investment income	153	–	–	153	
Reversal of revaluation decrements / impairment of IPP&E previously expensed	1,986	–	–	1,986	
Rental income	329	–	–	329	
Total Income from continuing operations	33,831	–	921	34,752	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	12,366	–	–	12,366	
Borrowing costs	632	–	–	632	
Materials and contracts	6,595	–	–	6,595	
Depreciation and amortisation	8,259	–	–	8,259	
Other expenses	2,316	–	–	2,316	
Net losses from the disposal of assets	2,576	–	–	2,576	
Total Expenses from continuing operations	32,744	–	–	32,744	
Total Operating result from continuing operations	1,087	–	921	2,008	
Net operating result for the year	1,087	–	921	2,008	
Total comprehensive income	3,024	–	921	3,945	

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

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	425,097	–	425,097

Notes to the Financial Statements

for the year ended 30 June 2020

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

<i>\$ '000</i>	<i>Original Balance 1 July, 2019</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 1 July, 2019</i>
Contract liabilities	–	713	713
Total liabilities	19,685	713	20,398
Accumulated surplus	277,731	(713)	277,018
Total equity	405,412	(713)	404,699

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	3,936	3,787
Balance as per the Statement of Cash Flows		3,936	3,787
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,087	3,831
Adjust for non-cash items:			
Depreciation and amortisation		8,259	8,265
Net losses/(gains) on disposal of assets		2,576	120
Adoption of AASB 15/1058		(713)	–
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L		(1,986)	–
Unwinding of discount rates on reinstatement provisions		59	130
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(655)	363
Increase/(decrease) in provision for impairment of receivables		–	117
Decrease/(increase) in inventories		6	(8)
Decrease/(increase) in other current assets		(39)	3
Decrease/(increase) in contract assets		(921)	–
Increase/(decrease) in payables		(164)	161
Increase/(decrease) in accrued interest payable		(8)	(1)
Increase/(decrease) in other accrued expenses payable		794	270
Increase/(decrease) in other liabilities		(555)	441
Increase/(decrease) in contract liabilities		1,571	–
Increase/(decrease) in provision for employee benefits		131	27
Increase/(decrease) in other provisions		–	(333)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		9,442	13,386

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Commitments

\$ '000	2020	2019
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Purchase of Wheel Loader	–	148
Bingara Pool renewal	1,712	–
Total commitments	1,712	148
These expenditures are payable as follows:		
Within the next year	1,712	148
Total payable	1,712	148
Sources for funding of capital commitments:		
Unrestricted general funds	–	148
Future grants and contributions	1,712	–
Total sources of funding	1,712	148

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

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

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

Description of the funding arrangements.

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million 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.

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$ 258,490. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$117,400. Council's expected contribution to the plan for the next annual reporting period is \$236,121.

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

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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

Based on a Past Services Liabilities methodology, the share of surplus than can be attributed to Council is 0.29%.

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

(v) The Community Mutual Group

Council provides bank guarantees to the value of \$263,460 to provide additional assistance to borrowers for home loans relating to properties within the local government area. The guarantees are provided to The Community Mutual Group.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

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.

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.

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

(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
2020				
Possible impact of a 10% movement in market values	763	763	(763)	(763)
Possible impact of a 1% movement in interest rates	39	39	(39)	(39)
2019				
Possible impact of a 10% movement in market values	861	861	(861)	(861)
Possible impact of a 1% movement in interest rates	38	38	(38)	(38)

(b) Credit risk

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

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
2020						
Gross carrying amount	–	284	25	37	34	380
2019						
Gross carrying amount	–	269	22	24	29	344

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
2020						
Gross carrying amount	2,129	–	11	5	148	2,293
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	84.00%	5.42%
ECL provision	–	–	–	–	124	124
2019						
Gross carrying amount	1,433	78	125	–	38	1,674
Expected loss rate (%)	0.00%	0.00%	95.00%	0.00%	14.00%	7.41%
ECL provision	–	–	119	–	5	124

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	<i>Weighted average interest rate</i>	<i>Subject to no maturity</i>	<i>payable in:</i>			<i>Total cash outflows</i>	<i>Actual carrying values</i>
			<i>≤ 1 Year</i>	<i>1 - 5 Years</i>	<i>> 5 Years</i>		
2020							
Trade/other payables	0.00%	49	2,008	1,347	–	3,404	3,404
Loans and advances	6.59%	–	2,643	4,348	3,017	10,008	8,265
Total financial liabilities		49	4,651	5,695	3,017	13,412	11,669
2019							
Trade/other payables	0.00%	44	1,871	1,500	–	3,415	3,415
Loans and advances	6.59%	–	1,795	6,361	3,648	11,804	9,540
Total financial liabilities		44	3,666	7,861	3,648	15,219	12,955

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 27/06/2019 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 -----	
REVENUES				
Rates and annual charges	10,725	10,548	(177)	(2)% U
User charges and fees	3,328	3,467	139	4% F
Other revenues	3,674	4,147	473	13% F
Following the revaluation of roads assets a number of assets were identified that had previously not been included in the assets register, \$506k.				
Operating grants and contributions	11,755	10,332	(1,423)	(12)% U
Council had budgeted for all projects under the Stronger Country Communities and Drought Communities Programs to be completed in the financial year. A number of the projects are still not complete and as funding is only received based on the milestones in the grant agreements not all funding was received in the financial year.				
Capital grants and contributions	2,678	2,869	191	7% F
Interest and investment revenue	179	153	(26)	(15)% U
Interest on investment was less than budget due to the continuing decline in interest rates.				
Net gains from disposal of assets	460	–	(460)	100% U
Council had budgeted for a profit on disposal however this did not materialise.				
Reversal of revaluation decrements / impairment of IPP&E previously expensed	–	1,986	1,986	∞ F
Following the revaluation of building assets the carrying value of assets increased and under the accounting standards any increase must first be allocated to prior decrements that have gone to the income statement.				
Rental income	320	329	9	3% F

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	12,292	12,366	(74)	(1)% U
Borrowing costs	520	632	(112)	(22)% U
Council had not budgeted for the discount (non cash) adjustment on the remediation liabilities for landfill and quarries, \$59k, discount (non cash) adjustment on the Naroo Zero Real Interest Loan, \$43k and interest on Naroo bonds refund, \$16k.				
Materials and contracts	8,546	6,595	1,951	23% F
A number of projects have not been completed or not commenced and have been carried over to the 2020/21 financial year.				
Depreciation and amortisation	7,991	8,259	(268)	(3)% U
Other expenses	3,019	2,316	703	23% F
The following expense items came in under budget, electricity charges \$156k, donations \$146k, Emergency Services Levy \$52k, telephone and communications \$60k.				
Net losses from disposal of assets	-	2,576	(2,576)	∞ U

Council incurred losses on disposal of assets including the National Australia Bank building, plant and equipment and roads infrastructure residual value when roads are renewed.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	9,430	9,442	12	0% F
Cash flows from investing activities	(9,493)	(8,018)	1,475	(16)% F
A number of capital projects were delayed or not commenced including grant funded works.				
Cash flows from financing activities	(1,317)	(1,275)	42	(3)% F

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

	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	
2020					
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'	30/06/20	–	7,631	–	7,631
Total financial assets		–	7,631	–	7,631
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/20	–	–	9,073	9,073
Office Equipment	30/06/20	–	–	307	307
Furniture & Fittings	30/06/20	–	–	713	713
Operational Land	01/07/19	–	–	5,917	5,917
Community Land	30/06/16	–	–	2,930	2,930
Land Improvements - depreciable	30/06/20	–	–	63	63
Buildings Specialised	01/07/19	–	–	29,145	29,145
Buildings Non-Specialised	01/07/19	–	–	27,695	27,695
Other Structures	30/06/16	–	–	4,640	4,640
Roads and bulk earthworks	30/06/20	–	–	256,199	256,199
Bridges	30/06/20	–	–	35,727	35,727
Footpaths	30/06/20	–	–	1,373	1,373
Stormwater Drainage	30/06/18	–	–	1,942	1,942
Water Supply Network	30/06/18	–	–	14,975	14,975
Sewerage Network	30/06/18	–	–	4,825	4,825
Swimming Pools	30/06/16	–	–	1,183	1,183
Other	30/06/16	–	–	159	159
Tip Asset	30/06/19	–	–	2,792	2,792
Quarry Asset	30/06/17	–	–	292	292
Work in Progress	30/06/20	–	–	12,137	12,137
Total infrastructure, property, plant and equipment		–	–	412,087	412,087

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 mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs		
Recurring fair value measurements						
Financial assets						
Investments						
	– ‘Held for trading’	30/06/19	–	8,606	–	8,606
Total financial assets			–	8,606	–	8,606
Infrastructure, property, plant and equipment						
	Plant & Equipment	30/06/19	–	–	8,941	8,941
	Office Equipment	30/06/19	–	–	281	281
	Furniture & Fittings	30/06/19	–	–	699	699
	Operational Land	30/06/18	–	–	4,777	4,777
	Community Land	30/06/16	–	–	2,930	2,930
	Land Improvements - depreciable	-	–	–	–	–
	Buildings Specialised	30/06/18	–	–	15,597	15,597
	Buildings Non-Specialised	30/06/18	–	–	16,803	16,803
	Other Structures	30/06/16	–	–	4,404	4,404
	Roads and bulk earthworks	30/06/15	–	–	279,086	279,086
	Bridges	30/06/15	–	–	38,143	38,143
	Footpaths	30/06/15	–	–	2,666	2,666
	Stormwater Drainage	30/06/18	–	–	1,827	1,827
	Water Supply Network	30/06/18	–	–	15,150	15,150
	Sewerage Network	30/06/18	–	–	4,897	4,897
	Swimming Pools	30/06/16	–	–	2,393	2,393
	Other	30/06/16	–	–	138	138
	Tip Asset	30/06/17	–	–	3,305	3,305
	Quarry Asset	30/06/17	–	–	314	314
	Work in Progress	30/06/19	–	–	7,655	7,655
Total infrastructure, property, plant and equipment			–	–	410,006	410,006

(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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

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

All assets have been valued at level 3 fair values

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

Highest and best use.

There were no assets valued where it was assumed that the highest and best use was other than its current use.

Valuation techniques and inputs.

Asset	Level of valuation input	Valuation technique	Gross (RC or MV) (\$, 000)	Accumulated Depreciation (\$,000)	Fair Value (\$, 000)
Land					
Saleable land	3	Market	5,917		5,917
Non saleable land	3	Cost	2,930		2,930
Total					
Buildings (cost approach)					
Specialised buildings	3	Market	36,990	7,845	29,145
Total					
Buildings (market/income approach)					
Residential Buildings	3	Market	39,073	11,378	27,695
Total					

Plant & Equipment, Office equipment, Furniture & Fittings and Other Structures

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 due to the nature of the assets. Examples of assets within the classes are as follows:

*Plant & Equipment	Trucks, tractors, ride-on-mowers, earthmoving equipment and motor vehicles.
*Office Equipment	Electronic whiteboards and computer equipment
*Furniture & Fittings	Chairs, desks and filing cabinets.
*Other structures	Fences, small sheds, water tanks and street bins

The key unobservable inputs to the valuations are the remaining useful life and residual value. Council reviews the value of these

Community land

All valuations of Community land are based upon the land valuations issued by the Valuer-General on a regular basis.

Valuation techniques used to derive fair values - land and buildings

The council engages external, independent and qualified valuers to determine the fair value of the entities land and buildings on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim evaluation using appropriate indices.

A comprehensive revaluation was undertaken by APV valuers for Operational Land and Building Asset Classes as at 1 July 2019.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

The main level 3 inputs used are derived and evaluated as follows –

1. Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the
2. The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then

(i) Recurring fair value measurements

The following methods are used to determine the fair value measurements.

Land

Level 3 valuation inputs were used to value land held in freehold title (investment and noninvestment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Buildings

Level 3 valuation inputs

Specialised buildings were valued using the cost approach using professionally qualified Registered Valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Infrastructure assets

Highest and best use

There were no assets valued where it was assumed that the highest and best use was other than its current use.

The following methods are used to determine the fair value measurements.

Infrastructure assets

Level 3 valuation inputs

Infrastructure assets were valued using the cost approach using professionally qualified internal staff. The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The unit rates were based on inputs such as estimates of residual value, useful life, pattern of consumption and asset condition and required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Swimming Pools

The fair value amount for this asset has been derived from assets originally classed in Other Structures. Swimming pools were valued as part of Other Structures on 30 June 2016 by APV Valuers. The valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at level 3. This has been no change to the valuation process during the reporting period.

Water System Assets

This class of assets includes water mains & reticulation, reservoirs, pumping stations and treatment works. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2018. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Sewer System Assets

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

This class of assets includes sewer mains & reticulation, pumping stations, treatment works and ancillary. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2018. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Roads, Bridges, Bulk Earthworks and other Infrastructure Assets

This class of asset includes roads, culverts, bridges, footpaths, kerb & gutter, bulk earthworks and causeways. The valuation of the infrastructure assets has been undertaken internally by Council's Engineering Department by experienced Engineers. This valuation relies on key unobservable inputs such as unit rates, gross replacement cost, condition ratings, pattern of consumption, useful life and residual value. The valuation process also relied on the skill and experience of the Engineers. The key unobservable inputs and no active market places this asset category at Level 3. The last valuation was undertaken internally by Council's Engineers on 30 June 2020. There has been no change to the valuation process during the reporting year.

Stormwater Drainage

This class of assets includes culverts, mains, open drains, trash screens, GPT. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2018. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Remediation Assets

This class of asset includes the various landfill sites within the local government areas. Restoration, cell capping, leachate collection and site closures have been recognised as significant costs for the remediation assets. In particular the closing of a landfill site will include preparation, final cell capping, site re-vegetation and leachate management. The key unobservable inputs are discount rate, estimated costs, legislative requirements, and timing of remediation and indexation of labour costs. There has been changes to the valuation process during the reporting period. Also included in this group are the various gravel pits (quarries) operated by Council. The remediation cost include final site management and works to comply with environmental requirements. The key unobservable inputs are discount rate, estimated costs, legislative requirements, and timing of remediation and indexation of labour costs. There has been changes to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

(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	Total IPP&E
2019	
Opening balance	405,441
Transfers from/(to) another asset class	(397)
Purchases (GBV)	11,219
Disposals (WDV)	(383)
Depreciation and impairment	(8,265)
FV gains – other comprehensive income	342
Restate Provision	2,049
Closing balance	410,006
2020	
Opening balance	410,006
Purchases (GBV)	9,487
Disposals (WDV)	(3,070)
Depreciation and impairment	(8,259)
FV gains – other comprehensive income	1,937
Revaluation Increment to P&L	1,986
Restate Provision	–
Closing balance	412,087

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

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

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

\$ '000	<i>Fair value (30/6/20)</i>	<i>Valuation technique/s</i>	<i>Unobservable inputs</i>
Infrastructure, property, plant and equipment			
Plant & Equipment	9,073	Cost	Gross Replacement Costs, Useful Life, Residual Value
Office equipment	307	Cost	Gross Replacement Costs, Useful Life, Residual Value
Furniture and fittings	713	Cost	Gross Replacement Costs, Useful Life, Residual Value
Operational land	5,917	Relevant sales in the area	Land Value
Community land	2,930	Land Values issued by Valuer General	Land Value
Land Improvements -depreciable	63	Depreciated Replacement Cost	Replacement Costs, Useful Life, Asset Condition
Buildings specialised	29,145	Depreciated Replacement Cost	Replacement Costs, Useful Life, Asset Condition
Buildings non-specialised	27,695	Depreciated Replacement Cost	Replacement Costs, Useful Life, Asset Condition
Other structures	4,640	Depreciated Replacement Cost	Replacement Costs, Useful Life, Asset Condition
Roads	256,199	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Asset Condition
Bridges	35,727	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Asset Condition
Footpaths	1,373	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Asset Condition
Stormwater drainage	1,942	Modern Engineering Equivalent Replacement Assets (MEERA) and Standard unit costs	Replacement Costs, Useful Life, Asset Condition
Water supply network	14,975	Modern Engineering Equivalent Replacement Assets (MEERA) and Standard unit costs	Replacement Costs, Useful Life, Asset Condition
Sewerage network	4,825	Depreciated Replacement Cost	Replacement Costs, Useful Life, Asset Condition
Swimming pools	1,183	Depreciated Replacement Cost	Gross Replacement Costs, Useful Life
Other	159	Depreciated Replacement Cost	Gross Replacement Costs, Useful Life
Tip asset	2,792	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Asset Condition
Quarry asset	292	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Asset Condition

(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
Compensation:		
Short-term benefits	694	803
Post-employment benefits	63	158
Total	757	961

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000					
2020					
Employee Expenses relating to close family members of KMP	213	–	Council staff award	–	–
Contractors	190	–	7 days on invoice	–	–
Purchase of vacant land	–	–		–	–
2019					
Employee Expenses relating to close family members of KMP	129	–	Council staff award	–	–
Contractors	217	–	7 days on invoice	–	–
Purchase of vacant land	85	–		–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. 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

\$ '000	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)
		Cash	Non-cash					
S7.11 not under plans	500	195	–	3	(263)	–	435	–
Total contributions	500	195	–	3	(263)	–	435	–

S7.11 Contributions – not under a plan

CONTRIBUTIONS NOT UNDER A PLAN

Roads	500	195	–	3	(263)	–	435	–
Total	500	195	–	3	(263)	–	435	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Result by fund

\$ '000	Waste 2020	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund				
Income from continuing operations				
Rates and annual charges	1,453	7,715	724	656
User charges and fees	–	2,448	957	62
Interest and investment revenue	43	63	11	36
Other revenues	144	3,993	9	1
Grants and contributions provided for operating purposes	–	10,332	–	–
Grants and contributions provided for capital purposes	–	2,869	–	–
Rental income	–	329	–	–
Reversal of revaluation decrements on IPPE previously expensed	–	1,986	–	–
Total income from continuing operations	1,640	29,735	1,701	755
Expenses from continuing operations				
Employee benefits and on-costs	427	11,185	428	326
Borrowing costs	5	499	128	–
Materials and contracts	783	5,126	440	246
Depreciation and amortisation	575	7,093	401	190
Other expenses	13	2,042	219	42
Net losses from the disposal of assets	–	2,568	8	–
Total expenses from continuing operations	1,803	28,513	1,624	804
Operating result from continuing operations	(163)	1,222	77	(49)
Net operating result for the year	(163)	1,222	77	(49)
Net operating result attributable to each council fund	(163)	1,222	77	(49)
Net operating result for the year before grants and contributions provided for capital purposes	(163)	(1,647)	77	(49)

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 24. Result by fund (continued)

\$ '000	Waste 2020	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund				
ASSETS				
Current assets				
Cash and cash equivalents	1,074	1,557	270	1,035
Investments	2,100	2,931	500	2,100
Receivables	97	2,185	207	60
Inventories	–	776	21	1
Contract assets	–	921	–	–
Other	–	39	–	–
Total current assets	3,271	8,409	998	3,196
Non-current assets				
Infrastructure, property, plant and equipment	3,492	385,927	16,870	5,798
Total non-current assets	3,492	385,927	16,870	5,798
TOTAL ASSETS	6,763	394,336	17,868	8,994
LIABILITIES				
Current liabilities				
Payables	–	3,577	68	–
Contract liabilities	–	1,571	–	–
Borrowings	9	977	194	–
Provisions	–	2,853	–	–
Total current liabilities	9	8,978	262	–
Non-current liabilities				
Borrowings	40	5,620	1,425	–
Provisions	3,347	557	–	–
Total non-current liabilities	3,387	6,177	1,425	–
TOTAL LIABILITIES	3,396	15,155	1,687	–
Net assets	3,367	379,181	16,181	8,994
EQUITY				
Accumulated surplus	2,717	254,046	12,825	8,517
Revaluation reserves	650	125,135	3,356	477
Council equity interest	3,367	379,181	16,181	8,994
Total equity	3,367	379,181	16,181	8,994

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 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(1,192)	(4.11)%	(4.16)%	0.11%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	28,976				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	18,644	58.55%	55.16%	58.69%	>60.00%
Total continuing operating revenue ¹	31,845				
3. Unrestricted current ratio					
Current assets less all external restrictions	8,028	1.68x	1.56x	1.73x	>1.50x
Current liabilities less specific purpose liabilities	4,784				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,699	4.04x	4.23x	4.19x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,907				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	439	4.00%	3.66%	3.90%	<10.00%
Rates, annual and extra charges collectible	10,973				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	3,936	1.92	1.97	1.90	>3.00
Monthly payments from cash flow of operating and financing activities	2,045	mths	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 25(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses	(4.63)%	(4.87)%	5.00%	1.54%	(6.49)%	5.33%	>0.00%
Total continuing operating revenue excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	55.08%	51.29%	100.00%	100.00%	100.00%	99.75%	>60.00%
Total continuing operating revenue							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.68x	1.67x	3.81x	4.11x	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4.34x	4.73x	1.99x	1.61x	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	3.69%	3.37%	6.99%	5.94%	4.91%	5.07%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	1.40	1.51	2.31	1.28	20.23	20.99	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(1) - (2) Refer to Notes at Note 31a above.

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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Gwydir Shire Council

To the Councillors of Gwydir Shire Council

Opinion

I have audited the accompanying financial statements of Gwydir 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. 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.



Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

2 November 2020
SYDNEY



Cr John Coulton
Mayor
Gwydir Shire Council
PO Box 5
BINGARA NSW 2404

Contact: Chris Harper
Phone no: 02 9275 7374
Our ref: D2024729/1736

2 November 2020

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of Gwydir 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 \$m	2019 \$m	Variance %
Rates and annual charges revenue	10.5	10.3	↑ 1.9
Grants and contributions revenue	13.2	14.8	↓ 10.8

Operating result from continuing operations	1.1	3.8	71.1
Net operating result before capital grants and contributions	(1.8)	(1.3)	38.5

The Council's operating result from continuing operations (\$1.1 million including depreciation and amortisation expense of \$8.3 million) was \$2.7 million lower than the 2018–19 result. This is mainly due to a reduction in grants and contributions of \$1.6 million, and an increase in employee benefits and oncost expense of \$759,000.

The net operating result before capital grants and contributions (\$1.8 million) was \$0.5 million lower than the 2018–19 result. This is due to the same factors as the reduction in operating result from continuing operations.

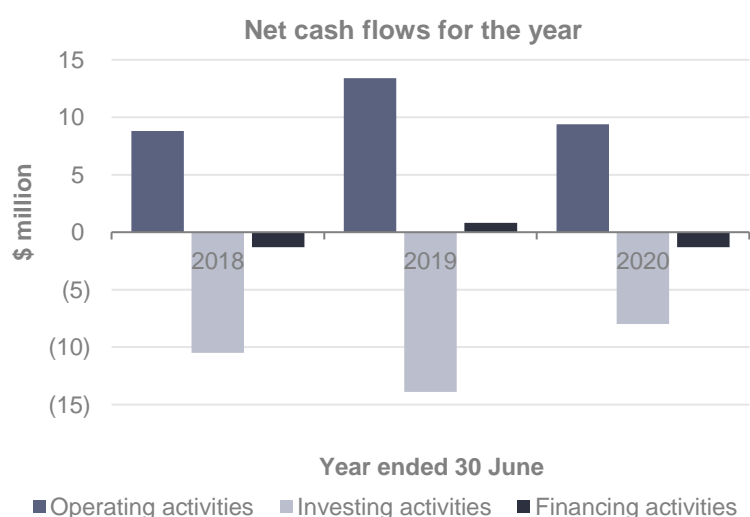
Rates and annual charges revenue (\$10.5 million) increased by \$234,000 (1.9 per cent) in 2019–20, mainly due to the normal rate peg allowance increases in the year.

Grants and contributions revenue (\$13.2 million) decreased by \$1.6 million (10.8 per cent) in 2019–20 due to:

- \$2 million decrease in capital transport grants due to completion of the Warialda bypass in the prior year and reduction in other grant funded projects
- \$845,000 reduction in RMS contributions for regional roads
- \$273,000 reduction in aged care grants used for building upgrades
- \$883,000 increase in roads to recovery funding provided by the Federal government
- \$911,000 increase in capital grants for the Big River Dreaming project and various stronger community capital projects.

STATEMENT OF CASH FLOWS

Cash from operations decreased by \$3.9 million due to lower grants and contributions. Cash outflows from investing decreased by \$5.9 million due to lower capital expenditure on IPPE and a net return of funds from investments. Cash from financing activities decreased by \$2.1 million due to no new borrowings in the current year and repayment of debt.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	6.9	7.4	<ul style="list-style-type: none"> Major external restrictions include water, sewer and domestic waste operations as well as grants for specific purposes. The main decrease related to a reduction in domestic waste reserves as a result of a current year deficit in operations.
Internal restrictions	4.6	4.9	
Unrestricted	0.1	0.1	
Cash and investments	11.6	12.4	<ul style="list-style-type: none"> Major internal restrictions include the financial assistance grant instalment received in advance and other waste reserves. Council has a policy of limiting unrestricted cash at year end.

PERFORMANCE

Performance measures

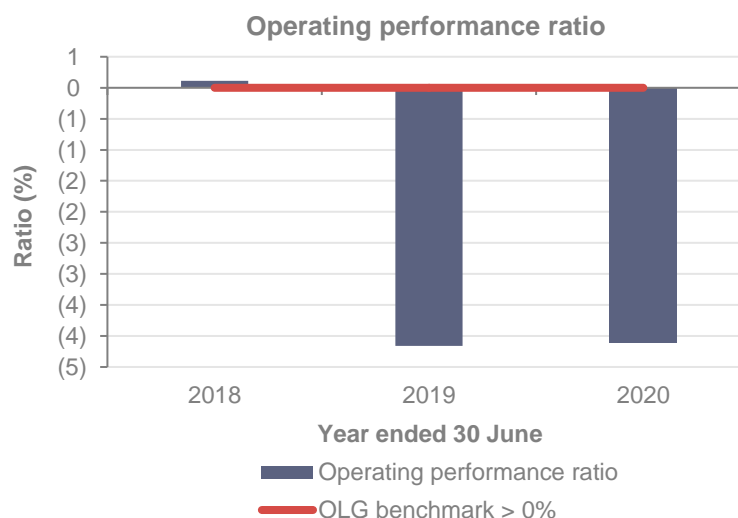
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

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 did not meet the OLG benchmark for the current reporting period.

The 2019–20 operating performance ratio arose due to a negative net operating result, caused by increases in operating expenses compared to 2018–19.

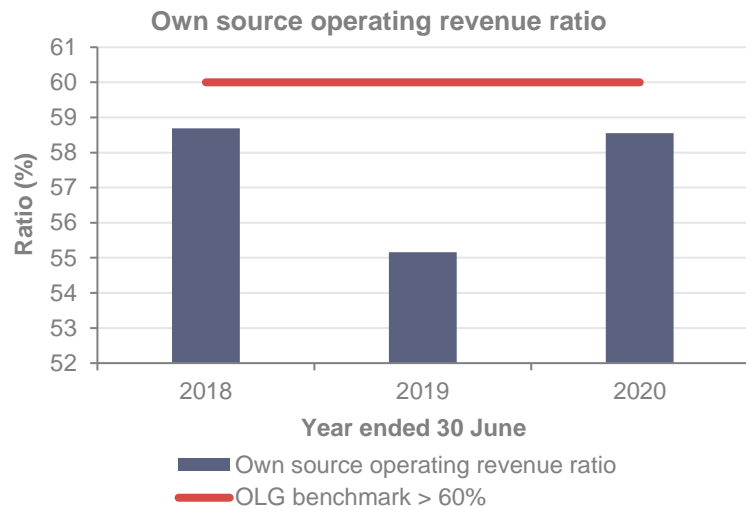


Own source operating revenue ratio

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 did not meet the OLG benchmark for the current reporting period.

The own source operating revenue ratio has increased compared to 2018–19 due to a decrease in grants in the current year.

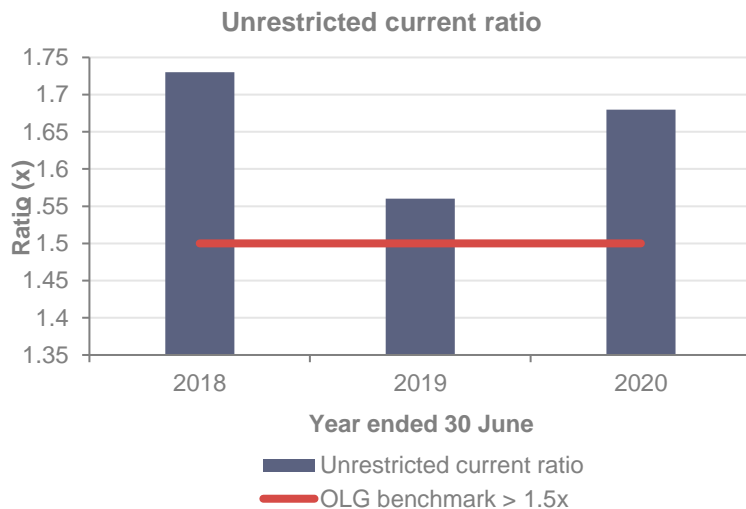


Unrestricted current ratio

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 met the OLG benchmark for the current reporting period.

The increase in the unrestricted current ratio is due to Council not using as much cash reserves for capital works in the current year and a reduction in aged care bonds.

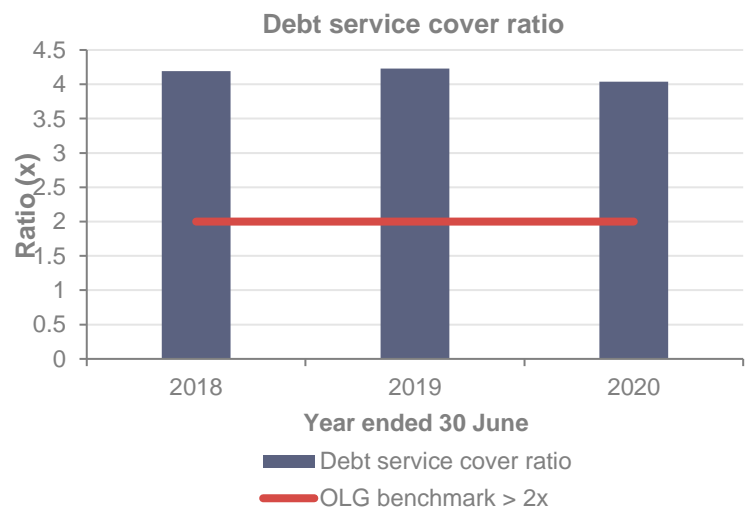


Debt service cover ratio

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 exceeded the OLG benchmark for the current reporting period.

The debt service cover ratio remained consistent compared to prior years.

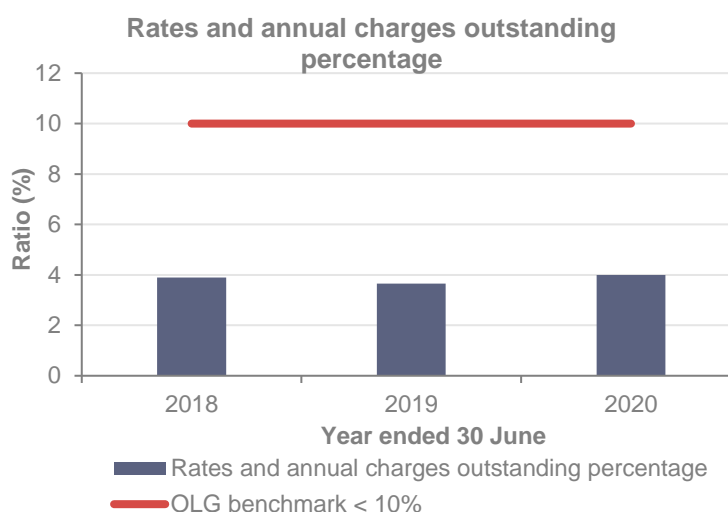


Rates and annual charges outstanding percentage

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 exceeded the OLG benchmark for the current reporting period.

Council's rates and annual charges outstanding ratio has remained stable compared to the past two years.

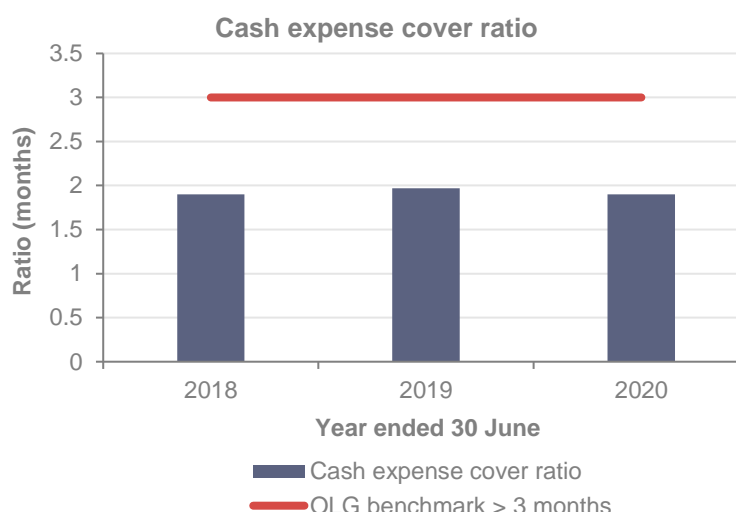


Cash expense cover ratio

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 did not meet the OLG benchmark for the current reporting period.

The cash expense cover ratio has remained consistent compared to the past two years.



Infrastructure, property, plant and equipment renewals

Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$7.5 million. This decreased by \$1.4 million compared to 2018–19 due to Council decreasing its road renewal works in accordance with its infrastructure management plans. Renewal expenditure was \$766,000 less than the depreciation expense for the year.

OTHER MATTERS

Impact of new accounting standards

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

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

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and

amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

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

The Council recognised a \$713,000 adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new revenue standards which related to first time recognition of contract liabilities

The Council disclosed the impact of adopting the new Revenue Standards in Note 15.

AASB 16 'Leases'

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

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

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

There was no material impact on the financial statements for the 2019-20 year.

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.



Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Max Eastcott, General Manager
Mr Jack O'Hara, Chair of the Audit, Risk and Improvement Committee
Ms Helen Thomas, Finance Manager
Mr Paul Cornall, Principal, Forsyths

Gwydir Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



Special Purpose Financial Statements

for the year ended 30 June 2020

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Background

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

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

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

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

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

Special Purpose Financial Statements

for the year ended 30 June 2020

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:

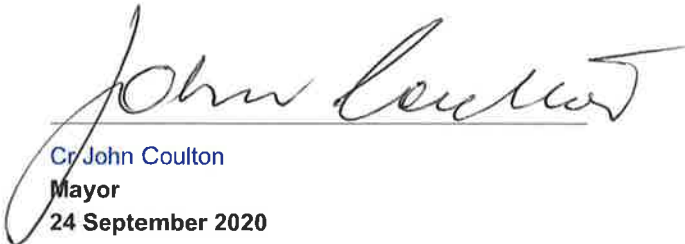
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

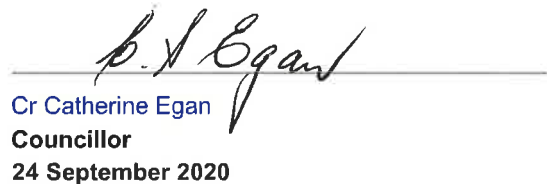
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

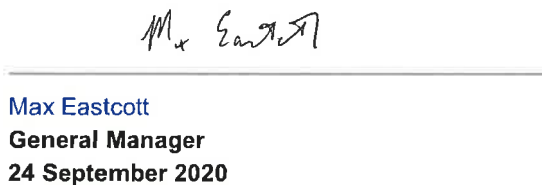
Signed in accordance with a resolution of Council made on 24 September 2020.



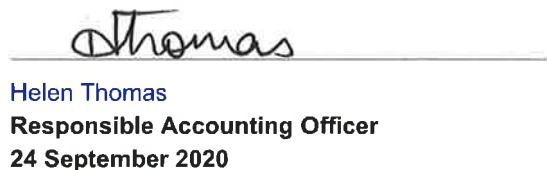
Cr John Coulton
Mayor
24 September 2020



Cr Catherine Egan
Councillor
24 September 2020



Max Eastcott
General Manager
24 September 2020



Helen Thomas
Responsible Accounting Officer
24 September 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	724	723
User charges	950	1,046
Fees	7	3
Interest	11	17
Other income	9	35
Total income from continuing operations	1,701	1,824
Expenses from continuing operations		
Employee benefits and on-costs	428	457
Borrowing costs	128	143
Materials and contracts	440	544
Depreciation, amortisation and impairment	401	423
Loss on sale of assets	8	20
Other expenses	219	229
Total expenses from continuing operations	1,624	1,816
Surplus (deficit) from continuing operations before capital amounts	77	8
Surplus (deficit) from continuing operations after capital amounts	77	8
Surplus (deficit) from all operations before tax	77	8
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(21)	(2)
SURPLUS (DEFICIT) AFTER TAX	56	6
Plus accumulated surplus	12,748	12,740
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	21	2
Closing accumulated surplus	12,825	12,748
Return on capital %	1.2%	0.9%
Subsidy from Council	–	67
Calculation of dividend payable:		
Surplus (deficit) after tax	56	6
Surplus for dividend calculation purposes	56	6
Potential dividend calculated from surplus	28	3

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	656	655
User charges	61	70
Fees	1	–
Interest	36	80
Other income	1	1
Total income from continuing operations	755	806
Expenses from continuing operations		
Employee benefits and on-costs	326	284
Materials and contracts	246	238
Depreciation, amortisation and impairment	190	196
Other expenses	42	45
Total expenses from continuing operations	804	763
Surplus (deficit) from continuing operations before capital amounts	(49)	43
Grants and contributions provided for capital purposes	–	2
Surplus (deficit) from continuing operations after capital amounts	(49)	45
Surplus (deficit) from all operations before tax	(49)	45
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(12)
SURPLUS (DEFICIT) AFTER TAX	(49)	33
Plus accumulated surplus	8,566	8,521
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	12
Closing accumulated surplus	8,517	8,566
Return on capital %	(0.8)%	0.8%
Subsidy from Council	100	29
Calculation of dividend payable:		
Surplus (deficit) after tax	(49)	33
Less: capital grants and contributions (excluding developer contributions)	–	(2)
Surplus for dividend calculation purposes	–	31
Potential dividend calculated from surplus	–	16

Income Statement – Waste business activity

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
Access charges	1,453	1,438
Interest	43	71
Other income	144	80
Total income from continuing operations	1,640	1,589
Expenses from continuing operations		
Employee benefits and on-costs	427	393
Borrowing costs	5	5
Materials and contracts	783	784
Depreciation, amortisation and impairment	575	186
Other expenses	13	(318)
Total expenses from continuing operations	1,803	1,050
Surplus (deficit) from continuing operations before capital amounts	(163)	539
Surplus (deficit) from continuing operations after capital amounts	(163)	539
Surplus (deficit) from all operations before tax	(163)	539
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(148)
SURPLUS (DEFICIT) AFTER TAX	(163)	391
Plus accumulated surplus	2,880	2,341
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	148
Closing accumulated surplus	2,717	2,880
Return on capital %	(4.5)%	13.8%
Subsidy from Council	189	–

Income Statement – Naroo aged care

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
Rentals	2,690	2,437
Interest	11	8
Other income	–	1
Total income from continuing operations	2,701	2,446
Expenses from continuing operations		
Employee benefits and on-costs	2,071	2,079
Borrowing costs	145	150
Materials and contracts	384	385
Depreciation, amortisation and impairment	116	192
Other expenses	104	113
Total expenses from continuing operations	2,820	2,919
Surplus (deficit) from continuing operations before capital amounts	(119)	(473)
Grants and contributions provided for capital purposes	88	361
Surplus (deficit) from continuing operations after capital amounts	(31)	(112)
Surplus (deficit) from all operations before tax	(31)	(112)
SURPLUS (DEFICIT) AFTER TAX	(31)	(112)
Plus accumulated surplus	(471)	(359)
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	(502)	(471)
Return on capital %	0.4%	(7.5)%
Subsidy from Council	37	380

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	270	170
Investments	500	390
Receivables	207	279
Inventories	21	20
Total current assets	998	859
Non-current assets		
Infrastructure, property, plant and equipment	16,870	16,516
Total non-current assets	16,870	16,516
TOTAL ASSETS	17,868	17,375
LIABILITIES		
Current liabilities		
Payables	68	28
Borrowings	194	181
Total current liabilities	262	209
Non-current liabilities		
Borrowings	1,425	1,618
Total non-current liabilities	1,425	1,618
TOTAL LIABILITIES	1,687	1,827
NET ASSETS	16,181	15,548
EQUITY		
Accumulated surplus	12,825	12,748
Revaluation reserves	3,356	2,800
TOTAL EQUITY	16,181	15,548

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	1,035	992
Investments	2,100	2,300
Receivables	60	68
Inventories	1	1
Total current assets	3,196	3,361
Non-current assets		
Infrastructure, property, plant and equipment	5,798	5,463
Total non-current assets	5,798	5,463
TOTAL ASSETS	8,994	8,824
<u>NET ASSETS</u>	<u>8,994</u>	<u>8,824</u>
EQUITY		
Accumulated surplus	8,517	8,566
Revaluation reserves	477	258
<u>TOTAL EQUITY</u>	<u>8,994</u>	<u>8,824</u>

Statement of Financial Position – Waste business activity

as at 30 June 2020

\$ '000	2020	2019
	Category 2	Category 2
ASSETS		
Current assets		
Cash and cash equivalents	1,074	855
Investments	2,100	1,950
Receivables	97	86
Total current assets	3,271	2,891
Non-current assets		
Infrastructure, property, plant and equipment	3,492	3,954
Total non-current assets	3,492	3,954
TOTAL ASSETS	6,763	6,845
LIABILITIES		
Current liabilities		
Payables	–	1
Borrowings	9	8
Total current liabilities	9	9
Non-current liabilities		
Borrowings	40	49
Provisions	3,347	3,306
Total non-current liabilities	3,387	3,355
TOTAL LIABILITIES	3,396	3,364
NET ASSETS	3,367	3,481
EQUITY		
Accumulated surplus	2,717	2,880
Revaluation reserves	650	601
TOTAL EQUITY	3,367	3,481

Statement of Financial Position – Naroo aged care as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	700	290
Receivables	48	75
Total current assets	748	365
Non-current assets		
Infrastructure, property, plant and equipment	7,176	4,318
Total non-current assets	7,176	4,318
TOTAL ASSETS	7,924	4,683
LIABILITIES		
Current liabilities		
Contract liabilities	329	–
Aged care bonds	1,747	2,415
Bank overdraft	1,945	1,051
Borrowings	164	155
Total current liabilities	4,185	3,621
Non-current liabilities		
Borrowings	2,267	2,431
Other Liabilities	117	117
Total non-current liabilities	2,384	2,548
TOTAL LIABILITIES	6,569	6,169
NET ASSETS	1,355	(1,486)
EQUITY		
Accumulated surplus	(502)	(471)
Revaluation reserves	1,857	(1,015)
TOTAL EQUITY	1,355	(1,486)

Gwydir Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

Naroo Aged Care Facility

Comprising the whole of the operations and assets of the aged care facility located at Warialda.

Category 2

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

Gwydir Water Supply -

Comprising the whole of the operations and net assets of the water supply systems servicing the towns of Bingara, Warialda, Gravesend and North Star.

Gwydir Sewerage Services -

Gwydir Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Comprising the whole of the operations and assets of the sewerage reticulation and treatment systems servicing the towns of Bingara and Warialda

Gwydir Waste Management Services -

Comprising the whole of the operations and assets of the waste management service carried out by the Waste Management contract servicing all towns and villages within Gwydir Shire

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

Land tax – the first \$734,000 of combined land values attracts **0%**. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$900,000.

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

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

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

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

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

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

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

Note 1. Significant Accounting Policies (continued)

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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

Note 1. Significant Accounting Policies (continued)

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



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

To the Councillors of Gwydir Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Gwydir 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
- Sewerage
- Waste
- Naroo aged care.

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 the auditor of councils
- precluding the Auditor-General from providing non-audit services.

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'CHarper', with a long horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

2 November 2020
SYDNEY

Gwydir Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



Special Schedules

for the year ended 30 June 2020

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Special Schedules

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	8,007	7,822
Plus or minus adjustments ²	b	21	(25)
Notional general income	c = a + b	8,028	7,797
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	209	211
Sub-total	k = (c + g + h + i + j)	8,237	8,008
Plus (or minus) last year's carry forward total	l	16	15
Sub-total	n = (l + m)	16	15
Total permissible income	o = k + n	8,253	8,023
Less notional general income yield	p	8,237	8,007
Catch-up or (excess) result	q = o - p	15	16
Carry forward to next year ⁶	t = q + r + s	15	16

Notes

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



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

To the Councillors of Gwydir Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Gwydir 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. The description forms part of my auditor's report.

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

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

A handwritten signature in black ink, appearing to read 'CHarper', with a long horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

2 November 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	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						
(a) Report on Infrastructure Assets - Values													
Buildings	Buildings – non-specialised	802	–	325	325	27,695	39,073	20.0%	40.0%	28.0%	7.0%	5.0%	
	Buildings – specialised	330	–	251	251	29,145	36,990	46.0%	28.0%	18.0%	8.0%	0.0%	
	Sub-total	1,132	–	576	576	56,840	76,063	32.6%	34.2%	23.1%	7.5%	2.6%	
Other structures	Other structures	–	–	6	6	4,640	6,473	67.0%	24.0%	7.0%	2.0%	0.0%	
	Sub-total	–	–	6	6	4,640	6,473	67.0%	24.0%	7.0%	2.0%	0.0%	
Roads	Sealed roads	523	–	1,058	1,058	147,120	158,040	53.0%	38.0%	6.0%	3.0%	0.0%	
	Unsealed roads	378	–	1,361	1,361	25,254	36,117	42.0%	38.0%	13.0%	3.0%	4.0%	
	Bridges	–	–	3	3	35,727	43,860	46.0%	50.0%	4.0%	0.0%	0.0%	
	Footpaths	146	–	73	73	1,373	2,732	1.0%	21.0%	58.0%	20.0%	0.0%	
	Kerb & Guttering	87	–	25	25	1,044	1,673	9.0%	52.0%	21.0%	15.0%	3.0%	
	Sub-total	1,134	–	2,520	2,520	293,299	325,203	36.7%	29.9%	5.5%	2.0%	25.9%	
Water supply network	Water supply network	148	–	446	446	14,975	23,264	64.0%	29.0%	3.0%	2.0%	2.0%	
	Sub-total	148	–	446	446	14,975	23,264	64.0%	29.0%	3.0%	2.0%	2.0%	
Sewerage network	Sewerage network	894	–	195	195	4,825	12,802	11.0%	50.0%	0.0%	38.0%	1.0%	
	Sub-total	894	–	195	195	4,825	12,802	11.0%	50.0%	0.0%	38.0%	1.0%	

Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	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 \$ '000	to bring to the agreed level of service set by Council \$ '000					1	2	3	4	5
Stormwater drainage	Stormwater drainage	174	–	30	30	1,942	4,095	4.0%	87.0%	0.0%	9.0%	0.0%
	Sub-total	174	–	30	30	1,942	4,095	4.0%	87.0%	0.0%	9.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	213	213	1,183	1,368	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	–	–	213	213	1,183	1,368	0.0%	0.0%	100.0%	0.0%	0.0%
TOTAL - ALL ASSETS		3,482	–	3,986	3,986	377,704	449,268	36.7%	31.5%	8.5%	4.0%	19.3%

(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	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	7,189	156.18%	125.89%	60.05%	>=100.00%
Depreciation, amortisation and impairment	4,603				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	3,482	0.92%	1.51%	1.34%	<2.00%
Net carrying amount of infrastructure assets	377,704				
Asset maintenance ratio					
Actual asset maintenance	3,986	100.00%	100.00%	100.00%	>100.00%
Required asset maintenance	3,986				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	—	0.00%	0.00%	0.00%	
Gross replacement cost	449,268				

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

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	167.59%	135.25%	43.86%	32.10%	140.53%	10.71%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.68%	1.29%	0.99%	1.49%	18.53%	17.99%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	

(1) Excludes Work In Progress (WIP)

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