

**Item 10 Joint Organisation Membership**

**FILE REFERENCE** 20/28060

**DELIVERY PROGRAM**

**GOAL:** 4. Proactive Regional and Local Leadership

**OUTCOME:** 4.1 WE ARE AN ENGAGED & CONNECTED COMMUNITY

**STRATEGY:** 4.1.2 Enable broad, rich and meaningful engagement to occur - GM - external

**AUTHOR** General Manager

**STAFF DISCLOSURE OF INTEREST** Nil

**IN BRIEF/ SUMMARY RECOMMENDATION**

This report recommends that the Council transfers its membership from Namoi Unlimited to the New England Joint Organisation (NEJO).

**TABLED ITEMS** Nil

**BACKGROUND**

The Council has now had the opportunity to attend a Board Meeting and several General Managers' Advisory Group Meetings following the Council's decision to seek Associate Membership to New England Joint Organisation.

The original report to Council outlining why Gwydir should seek Associate Membership of NEJO included the following map of the NEJO Membership:



This map really says it all and highlights the relative importance of Gwydir to the NEJO but, at the moment, the Mayor attends the Board Meetings but does not have any voting rights.

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Chairman .....

Certainly Gwydir’s transport interests are much more closely aligned to those of the other Councils in the NEJO with both interstate (NSW-Queensland) and east-west transport links being the main focus.

At the recent Councillor Workshop the membership of Gwydir in either Namoi Unlimited or NEJO was discussed. The Workshop was advised that the strategic interests of Gwydir rest more with the NEJO than with Namoi Unlimited. The Councillors present at the Workshop indicated their support to explore transferring the Council’s membership from Namoi Unlimited to NEJO.

This process has commenced with a request having been forwarded to the Executive Officer of Namoi Unlimited to have the matter of Gwydir’s resignation from Namoi Unlimited on the agenda for discussion at the next Namoi Board Meeting to be held on 8<sup>th</sup> December 2020 at Walcha. Gwydir is seeking the support from Namoi Unlimited to Gwydir’s switch to NEJO. The Mayor advised the Namoi Chair prior to the formal request being forwarded.

Similarly a request seeking full membership of NEJO will be forwarded to the NEJO Executive Officer if the Council endorses the recommendation contained in this report. The NEJO Board Meeting is being held next Monday at Moree Plains Shire Council.

**COMMENT**

If all the above procedural pieces are put into place the final decision will resent with the Minister for Local Government as the change will need to be gazetted in order to be put into effect.

Gwydir Shire Council continues to hold the view that Namoi Unlimited and New England Joint Organisations should be one body.

**CONCLUSION**

The senior staff and Mayor believe that the better choice between the two existing Joint Organisations for Gwydir is be a full voting member of the New England Joint Organisation.

**OFFICER RECOMMENDATION**

THAT the report be received.

FURTHER that both Namoi Unlimited and the New England Joint Organisations be formally advised of the Council’s decision to transfer this Council’s membership from Namoi Unlimited to the New England Joint Organisation.

FURTHER once the concurrence of the Boards of both Joint Organisations has been received to the transfer of this Council’s membership from Namoi Unlimited to the New England Joint Organisation that the Minister for Local Government and the Council’s State Member be advised seeking their support for the transfer.

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**ATTACHMENTS**

There are no attachments for this report.

**COUNCIL RESOLUTION:  
MINUTE 294/20**

**THAT the report be received.**

**FURTHER that both Namoi Unlimited and the New England Joint Organisations be formally advised of the Council's decision to transfer this Council's membership from Namoi Unlimited to the New England Joint Organisation.**

**FURTHER once the concurrence of the Boards of both Joint Organisations has been received to the transfer of this Council's membership from Namoi Unlimited to the New England Joint Organisation that the Minister for Local Government and the Council's State Member be advised seeking their support for the transfer.**

**(Moved Cr Egan, seconded Cr Smith)**

**NOTE: Both Namoi Unlimited and the New England Joint Organisation have been advised of the Council's resolution.**



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**STATUTORY ENVIRONMENT**

*Local Government Act 1993* and associated regulations. A quarterly budget review is due within 2 months of the end of each quarter under the requirements of Clause 203 of the Local Government (General) Regulation 2005:

203 Budget review statements and revision of estimates

- (1) Not later than 2 months after the end of each quarter, the responsible accounting officer of a council must prepare and submit to the council a budget review statement that shows, by reference to the estimate of income and expenditure set out in the management plan that the council has adopted for the relevant year, a revised estimate of the income and expenditure for that year.
- (2) A budget review statement must include or be accompanied by:
  - (a) a report as to whether or not the responsible accounting officer believes that the statement indicates that the financial position of the council is satisfactory, having regard to the original estimate of income and expenditure, and
  - (b) if that position is unsatisfactory, recommendations for remedial action.
- (3) A budget review statement must also include any information required by the Code to be included in such a statement.

**FINANCIAL, ECONOMIC AND RESOURCE IMPLICATIONS**

Council must work towards tight controls to achieve the budgeted end of year result.

**STRATEGIC IMPLICATIONS** - N/A

**SUSTAINABILITY IMPLICATIONS (Social & Environmental)**

Sustainability has largely been addressed as a result of the Special Rate Variation being approved. Further work is required to ensure bottom line budget and cash results are achieved.

**OFFICER RECOMMENDATION**

THAT the September Quarter Budget Review Statement be noted  
FURTHER that the September Quarter budget adjustments be approved.

**ATTACHMENTS**

**AT-** Quarterly Budget Review Statement September 2021

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Chairman .....

**COUNCIL RESOLUTION:  
MINUTE 295/20**

**THAT the September Quarter Budget Review Statement be noted  
FURTHER that the September Quarter budget adjustments be  
approved.**

**(Moved Cr Egan, seconded Cr Smith)**

Gwydir Shire Council

**Quarterly Budget Review Statement**  
for the period 01/07/20 to 30/09/20

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November 2020

Chairman .....

Gwydir Shire Council

**Quarterly Budget Review Statement**  
for the period 01/07/20 to 30/09/20

**Report by Responsible Accounting Officer**

The following statement is made in accordance with Clause 203(2) of the Local Government (General) Regulations 2005:

**30 September 2020**

It is my opinion that the Quarterly Budget Review Statement for Gwydir Shire Council for the quarter ended 30/09/20 indicates that Council's projected financial position at 30/6/21 will be satisfactory at year end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

Signed:



date: 22/11/2020

Helen Thomas  
Responsible Accounting Officer



Gwydir Shire Council

Quarterly Budget Review Statement  
 for the period 01/07/20 to 30/09/20

Income & Expenses Budget Review Statement

Budget review for the quarter ended 30 September 2020

Income & Expenses - Council Consolidated

(\$000's)	Original Budget 2020/21	Approved Changes				Carry Forwards	Other than QBRs	Revised Budget 2020/21	Variations for this Sep Qtr	Notes	Projected Year End Result	Actual YTD figures
		2020/21	Sep QBRs	Dec QBRs	Mar QBRs							
<b>Income</b>												
Rates and Annual Charges	10,840						10,840				10,840	10,947
User Charges and Fees	2,860						2,860	(88)			2,772	504
Interest and Investment Revenues	92						92	15			107	24
Other Revenues	855	66				66	921	(27)			894	278
Grants & Contributions - Operating	13,289	91				91	13,380	23			13,403	4,305
Grants & Contributions - Capital	5,626	-				-	5,626	334			5,960	1,100
<b>Total Income from Continuing Operations</b>	<b>33,562</b>	<b>157</b>				<b>157</b>	<b>33,719</b>	<b>257</b>			<b>33,976</b>	<b>17,158</b>
<b>Expenses</b>												
Employee Costs	13,971						13,971	110			14,081	2,993
Borrowing Costs	427						427				427	80
Materials & Contracts	16,655						16,655	(46)			16,609	1,850
Depreciation	7,762						7,762				7,762	1,941
Legal Costs	40						40				40	2
Consultants	331						331				331	62
Other Expenses	2,976						2,976	2			2,978	1,459
<b>Total Expenses from Continuing Operations</b>	<b>42,162</b>						<b>42,162</b>	<b>66</b>			<b>42,228</b>	<b>8,387</b>
<b>Net Operating Result from Continuing Operatic</b>	<b>(8,600)</b>	<b>157</b>					<b>(8,443)</b>	<b>191</b>			<b>(8,252)</b>	<b>8,772</b>
Discontinued Operations - Surplus/(Deficit)												
<b>Net Operating Result from All Operations</b>	<b>(8,600)</b>	<b>157</b>					<b>(8,443)</b>	<b>191</b>			<b>(8,252)</b>	<b>8,772</b>
Net Operating Result before Capital Items	(14,226)	157					(14,069)	(143)			(14,212)	7,672

**Income & Expenses Budget Review Statement**  
**Recommended changes to revised budget**

Budget Variations being recommended include the following material items:

<b>Notes</b>	<b>Details</b>
User Fees and Charges	Reduction in Naroo and Roxy income
Other Revenues	In line with forecast
Grants and Contributions - Operating	In line with funding forecast
Grants and Contributions - Capital	In line with funding forecast
Employee Costs	Adjustment to projected result
Materials and Contracts	In line with project adjustments

		Quarterly Budget Review Statement for the period 01/07/20 to 30/09/20									
		Original Budget 2020/21	Carry Forwards	Other than by QBRS	Approved Changes Sep QBRS	Dec QBRS	Mar QBRS	Revised Budget 2020/21	Variations for this Sep Qtr	Notes	Projected Year End Result
<b>Gwydir Shire Council</b>											
<b>Capital Budget Review Statement</b>											
Budget review for the quarter ended 30 September 2020											
<b>Capital Budget - Council Consolidated</b>											
(\$'000's)											
<b>Capital Expenditure</b>											
New Assets											
- Plant & Equipment	-	-	-	-	-	-	-	-	-	-	-
- Land & Buildings	-	-	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-	-	-
Renewal Assets (Replacement)											
- Plant & Equipment	1,200	-	-	-	-	-	1,200	-	-	-	1,200
- Land & Buildings	5,626	-	-	-	-	-	5,626	-	-	-	5,626
- Roads, Bridges, Footpaths Materials	3,184	-	-	-	-	-	3,184	-	-	-	3,184
Loan Repayments (Principal)	2,160	-	-	-	-	-	2,160	-	-	-	2,160
Waste	110	-	-	-	-	-	110	-	-	-	110
Water supply	386	-	-	-	-	-	386	-	-	-	386
Sewerage services	549	-	-	-	-	-	549	-	-	-	549
<b>Total Capital Expenditure</b>	<b>13,215</b>	-	-	-	-	-	<b>13,215</b>	-	-	-	<b>13,215</b>
<b>Capital Funding</b>											
Rates & Other Untied Funding	570	-	-	-	-	-	570	-	-	-	570
Capital Grants & Contributions	5,626	-	-	-	-	-	5,626	-	-	-	5,626
Reserves:											
- External Restrictions/Reserves	5,614	-	-	-	-	-	5,614	-	-	-	5,614
- Internal Restrictions/Reserves	-	-	-	-	-	-	-	-	-	-	-
New Loans	-	-	-	-	-	-	-	-	-	-	-
Receipts from Sale of Assets	360	-	-	-	-	-	360	-	-	-	360
- Plant & Equipment	110	-	-	-	-	-	110	-	-	-	110
Waste	386	-	-	-	-	-	386	-	-	-	386
Water supply	549	-	-	-	-	-	549	-	-	-	549
Sewerage services	549	-	-	-	-	-	549	-	-	-	549
<b>Total Capital Funding</b>	<b>13,215</b>	-	-	-	-	-	<b>13,215</b>	-	-	-	<b>13,215</b>
<b>Net Capital Funding - Surplus/(Deficit)</b>	-	-	-	-	-	-	-	-	-	-	-

Gwydir Shire Council

**Contracts Budget Review Statement**

Budget review for the quarter ended 30 September 2020

**Part A - Contracts Listing** - contracts entered into during the quarter

Contractor	Contract detail & purpose	Contract Value	Start Date	Duration of Contract	Budgeted (Y/N)	Notes
Pattison Technology	Aged Care Call Bell System Naroo	\$180 000	October	2 months	Y	

Notes:

1. Minimum reporting level is 1% of estimated income from continuing operations of Council or \$50,000 - whatever is the lesser.
2. Contracts listed are those entered into during the quarter being reported and exclude contractors on Council's Preferred Supplier list.
3. Contracts for employment are not required to be included.

Gwydir Shire Council

**Cash & Investments Budget Review Statement**

Budget review for the quarter ended 30 September 2020

**Cash & Investments - Council Consolidated**

**Quarterly Budget Review Statement**  
 for the period 01/07/20 to 30/09/20

(\$000's)	Original Budget 2020/21	Approved Changes			Revised Budget 2020/21	Variations for this Sep Qtr	Projected Year End Result	Actual YTD figures
		Carry Forwards	Other than by QBRS	Mar QBRS				
<b>Externally Restricted<sup>(1)</sup></b>								
Aged Care Bonds	700	-	-	-	700	700	700	700
Developer Contributions	288	-	-	-	288	288	288	288
Specific Purpose unexpended Grants	2,004	-	-	-	2,004	2,004	2,004	850
Water	770	-	-	-	770	770	770	583
Sewer	3,135	-	-	-	3,135	3,135	3,135	1,786
<b>Total Externally Restricted</b>	<b>6,897</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,897</b>	<b>6,897</b>	<b>6,897</b>	<b>4,207</b>
(1) Funds that must be spent for a specific purpose								
<b>Internally Restricted<sup>(2)</sup></b>								
Employee Leave Entitlement	900	-	-	-	900	900	900	900
Trust Accounts	49	-	-	-	49	49	49	49
Other Waste	3,174	-	-	-	3,174	3,174	3,174	1,898
<b>Total Internally Restricted</b>	<b>4,123</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,123</b>	<b>4,123</b>	<b>4,123</b>	<b>2,847</b>
(2) Funds that Council has earmarked for a specific purpose								
<b>Unrestricted (ie. available after the above Restrict</b>	<b>480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>480</b>	<b>480</b>	<b>480</b>	<b>1,360</b>
<b>Total Cash &amp; Investments</b>	<b>11,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,500</b>	<b>11,500</b>	<b>11,500</b>	<b>1,360</b>

**Item 12 Auditor Presentation - Council's Financial Statements to 30 June 2020**

**FILE REFERENCE** 20/28423

**DELIVERY PROGRAM**

**GOAL:** 5. Organisational Management

**OUTCOME:** 5.1 CORPORATE MANAGEMENT

**STRATEGY:** 5.1.1 Financial management and accountability systems - CFO - internal

**AUTHOR** Manager, Finance

**STAFF DISCLOSURE OF INTEREST** Nil

**COMMENT**

Representatives from the NSW Audit Office will be attending the meeting to present the Council's Financial Statements for the year ending 30 June 2020 via an online meeting.

**BACKGROUND**

The Council's financial statements are currently on exhibition for public comment and any submissions will be tabled at the meeting.

**OFFICER RECOMMENDATION**

THAT the Auditor be thanked for his presentation

**ATTACHMENTS**

**AT-** Annual Financial Statements - General Purpose - 30 June 2020

**AT-** Annual Financial Statements - Special Purpose - 30 June 2020

**COUNCIL RESOLUTION:**

**MINUTE 296/20**

**THAT the Auditor be thanked for his presentation.**

**(Moved Cr D Coulton, seconded Cr Moore)**

# 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.*



This is page number 152 of the minutes of the Ordinary Meeting held on Thursday 26  
November 2020

Chairman .....

Gwydir Shire Council

Financial Statements 2020

**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](http://www.gwydirshire.com).



Gwydir Shire Council

Financial Statements 2020

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.

Gwydir Shire Council

Financial Statements 2020

**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

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Chairman .....

Gwydir Shire Council

Financial Statements 2020

Income Statement

for the year ended 30 June 2020

<i>Original unaudited budget</i> 2020	\$ '000	Notes	<i>Actual</i> 2020	<i>Actual</i> 2019
<b>Income from continuing operations</b>				
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	4,430	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	-	-
320	Rental income	12c	329	-
-	Reversal of revaluation decrements / impairment of IPP&E previously expensed	5d	1,986	-
33,119	<b>Total income from continuing operations</b>		34,114	33,061
<b>Expenses from continuing operations</b>				
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	2,599	2,120
-	Net losses from the disposal of assets	6	2,576	120
32,368	<b>Total expenses from continuing operations</b>		33,027	29,230
751	<b>Operating result from continuing operations</b>		1,087	3,831
751	<b>Net operating result for the year</b>		1,087	3,831
751	Net operating result attributable to council		1,087	3,831
(1,927)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		(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.

Gwydir Shire Council

Financial Statements 2020

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>1,087</b>	<b>3,831</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	1,937	342
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>1,937</b>	<b>342</b>
<b>Total other comprehensive income for the year</b>		<b>1,937</b>	<b>342</b>
<b>Total comprehensive income for the year</b>		<b>3,024</b>	<b>4,173</b>
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.

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Chairman .....

Gwydir Shire Council

Financial Statements 2020

Statement of Financial Position  
as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	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	-
<b>Total current assets</b>		<b>15,874</b>	<b>15,091</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	10	412,087	410,006
Right of use assets		-	-
<b>Total non-current assets</b>		<b>412,087</b>	<b>410,006</b>
<b>Total assets</b>		<b>427,961</b>	<b>425,097</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	13	3,645	3,578
Contract liabilities	11b	1,571	-
Borrowings	13	1,180	1,274
Provisions	14	2,853	2,725
<b>Total current liabilities</b>		<b>9,249</b>	<b>7,577</b>
<b>Non-current liabilities</b>			
Borrowings	13	7,085	8,266
Provisions	14	3,904	3,842
<b>Total non-current liabilities</b>		<b>10,989</b>	<b>12,108</b>
<b>Total liabilities</b>		<b>20,238</b>	<b>19,685</b>
<b>Net assets</b>		<b>407,723</b>	<b>405,412</b>
<b>EQUITY</b>			
Accumulated surplus	15	278,105	277,731
Revaluation reserves	15	129,618	127,681
<b>Council equity interest</b>		<b>407,723</b>	<b>405,412</b>
<b>Total equity</b>		<b>407,723</b>	<b>405,412</b>

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

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

Gwydir Shire Council

Financial Statements 2020

Statement of Changes in Equity  
for the year ended 30 June 2020

\$ '000		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	(713)	-	(713)	-	-	-
	Changes due to AASB 16 adoption	-	-	-	-	-	-
	Net operating result for the year	1,087	-	1,087	3,831	-	3,831
	<b>Restated net operating result for the period</b>	<b>1,087</b>	<b>-</b>	<b>1,087</b>	<b>3,831</b>	<b>-</b>	<b>3,831</b>
	<b>Other comprehensive income</b>						
	- Gain (loss) on revaluation of IPP&E	-	1,937	1,937	-	342	342
	<b>Other comprehensive income</b>	<b>-</b>	<b>1,937</b>	<b>1,937</b>	<b>-</b>	<b>342</b>	<b>342</b>
	<b>Total comprehensive income</b>	<b>1,087</b>	<b>1,937</b>	<b>3,024</b>	<b>3,831</b>	<b>342</b>	<b>4,173</b>
	<b>Equity - balance at end of the reporting period</b>	<b>278,105</b>	<b>129,618</b>	<b>407,723</b>	<b>277,731</b>	<b>127,681</b>	<b>405,412</b>

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

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

Gwydir Shire Council

Financial Statements 2020

Statement of Cash Flows

for the year ended 30 June 2020

<i>Original unaudited budget 2020</i>	\$ '000	Notes	<i>Actual 2020</i>	<i>Actual 2019</i>
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
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		5,311	5,161
<i>Payments:</i>				
(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		(2,565)	(2,751)
	<b>Net cash provided (or used in) operating activities</b>	16b	<b>9,442</b>	<b>13,386</b>
9,430				
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
-	Sale of investment securities		12,975	12,000
560	Sale of infrastructure, property, plant and equipment		495	263
<i>Payments:</i>				
-	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)	<b>Net cash provided (or used in) investing activities</b>		<b>(8,018)</b>	<b>(13,899)</b>
<b>Cash flows from financing activities</b>				
<i>Receipts:</i>				
-	Proceeds from borrowings and advances		-	2,023
<i>Payments:</i>				
(1,317)	Repayment of borrowings and advances		(1,275)	(1,208)
(1,317)	<b>Net cash flow provided (used in) financing activities</b>		<b>(1,275)</b>	<b>815</b>
(1,380)	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>149</b>	<b>302</b>
2,850	Plus: cash and cash equivalents – beginning of year	16a	3,787	3,485
1,470	<b>Cash and cash equivalents – end of the year</b>	16a	<b>3,936</b>	<b>3,787</b>
8,650	plus: Investments on hand – end of year	7(b)	7,631	8,606
10,120	<b>Total cash, cash equivalents and investments</b>		<b>11,567</b>	<b>12,393</b>

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

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

Gwydir Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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Gwydir Shire Council

Financial Statements 2020

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 dd MMMM yyyy. 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.

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Gwydir Shire Council

Financial Statements 2020

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 estimated value of these services has been included in the financial statements based on an average salary council would be required to pay if the services were not donated.

**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.

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Gwydir Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

**New accounting standards adopted during the year**

During the year Council adopted 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.

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Gwydir Shire Council

Financial Statements 2020

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

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Social	4,251	4,218	2,745	4,580	1,506	(362)	3,690	1,942	21,452	13,945
Economic	9,639	9,790	11,018	10,223	(1,379)	(433)	2,636	3,048	330,808	340,664
Environment	3,294	2,946	3,381	2,648	(87)	298	124	185	22,842	20,212
Civic Leadership	777	667	1,974	1,536	(1,197)	(869)	-	-	7,436	3,941
Governance	16,153	15,440	13,909	10,243	2,244	5,197	4,762	6,807	45,423	46,395
<b>Total functions and activities</b>	<b>34,114</b>	<b>33,061</b>	<b>33,027</b>	<b>29,230</b>	<b>1,087</b>	<b>3,831</b>	<b>11,212</b>	<b>11,982</b>	<b>427,961</b>	<b>425,097</b>

**Gwydir Shire Council**

Financial Statements 2020

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

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

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

**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.

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Gwydir Shire Council

Financial Statements 2020

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

Note 3. Revenue from continuing operations

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

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

- 15 (1) indicates income recognised under AASB 15 "at a point in time",
- 15 (2) indicates income recognised under AASB 15 "over time",
- 1058 (1) indicates income recognised under AASB 1058 "at a point in time", while
- 1058 (2) indicates income recognised under AASB 1058 "over time".

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

**Accounting policy for rates and charges**

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

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

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

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

Gwydir Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (1)	578	666
Sewerage services	15 (1)	62	69
<b>Total specific user charges</b>		<b>640</b>	<b>735</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Inspection services	15 (1)	5	13
Planning and building regulation	15 (1)	69	61
Private works – section 67	15 (1)	277	161
Registration fees	15 (1)	7	8
Section 603 certificates	15 (1)	9	9
<b>Total fees and charges – statutory/regulatory</b>		<b>367</b>	<b>252</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
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 (1)	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
<b>Total fees and charges – other</b>		<b>2,460</b>	<b>2,508</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>3,467</b>	<b>3,495</b>

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

- 15 (1)** indicates income recognised under AASB 15 "at a point in time",
- 15 (2)** indicates income recognised under AASB 15 "over time",
- 1058 (1)** indicates income recognised under AASB 1058 "at a point in time", while
- 1058 (2)** indicates income recognised under AASB 1058 "over time".

**Accounting policy for user charges and fees**

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

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

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

**2019 accounting policy**

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



Gwydir Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Rental income – other council properties (2019 only)		–	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 (1)	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)	283	–
Other	15 (1)	44	141
<b>TOTAL OTHER REVENUE</b>		<b>4,430</b>	<b>4,166</b>

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

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

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

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

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

**Accounting policy for other revenue**

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

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

**2019 accounting policy:**

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

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.

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Gwydir Shire Council

Financial Statements 2020

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

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

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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.

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Gwydir Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance	1058 (1)	2,301	2,335	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance	1058 (1)	2,439	2,421	–	–
<b>Total general purpose</b>		<b>4,740</b>	<b>4,756</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
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 (1)	70	69	–	–
NSW rural fire services	1058 (1)	239	175	–	–
Recreation and culture	1058 (1)	15	–	185	40
Street lighting	1058 (1)	21	20	–	–
Transport (other roads and bridges funding)	1058 (1)	–	–	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 (1)	1,773	890	–	–
Drought Communities	1058 (1)	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	–	–
<b>Total specific purpose</b>		<b>3,880</b>	<b>2,985</b>	<b>2,592</b>	<b>4,241</b>
<b>Total grants</b>		<b>8,620</b>	<b>7,741</b>	<b>2,592</b>	<b>4,241</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		7,330	6,506	684	2,256
– State funding		1,290	1,235	1,908	1,985
		<b>8,620</b>	<b>7,741</b>	<b>2,592</b>	<b>4,241</b>

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

- 15 (1) indicates income recognised under AASB 15 "at a point in time",
- 15 (2) indicates income recognised under AASB 15 "over time",
- 1058 (1) indicates income recognised under AASB 1058 "at a point in time", while
- 1058 (2) indicates income recognised under AASB 1058 "over time".

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Gwydir Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions:</b> <b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services						
	1058 (1)		–	–	195	238
<b>Total developer contributions – cash</b>			–	–	195	238
<b>Total developer contributions</b>			–	–	195	238
	23					
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Community services						
	1058 (1)		3	–	–	–
Recreation and culture						
			–	6	–	10
Roads and bridges						
			–	–	–	15
RMS contributions (regional roads, block grant)						
	1058 (1)		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 (1)		–	–	82	–
<b>Total other contributions – cash</b>			1,712	1,968	82	635
<b>Total other contributions</b>			1,712	1,968	82	635
<b>Total contributions</b>			1,712	1,968	277	873
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			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

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Financial Statements 2020

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
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(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
<b>Add:</b> operating grants recognised as income in the current period but not yet spent	198	252
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(180)	(91)
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<u>408</u>	<u>390</u>

**Capital grants**

Unexpended at the close of the previous reporting period	856	237
<b>Add:</b> capital grants recognised as income in the current period but not yet spent	25	656
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(856)	(37)
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<u>25</u>	<u>856</u>

**Contributions**

Unexpended at the close of the previous reporting period	262	256
<b>Add:</b> contributions recognised as income in the current period but not yet spent	291	6
<b>Less:</b> contributions recognised in a previous reporting period now spent	(262)	–
<b>Unexpended and held as externally restricted assets (contributions)</b>	<u>291</u>	<u>262</u>

Gwydir Shire Council

Financial Statements 2020

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

Note 4. Interest and investment income

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

**Accounting policy for interest and investment revenue**

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

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Gwydir Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	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
<b>Total employee costs</b>	<b>13,561</b>	<b>13,191</b>
Less: capitalised costs	(1,195)	(1,584)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>12,366</b>	<b>11,607</b>

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

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

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

\$ '000	Notes	2020	2019
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		530	485
<b>Total interest bearing liability costs</b>		<b>530</b>	<b>485</b>
<b>Total interest bearing liability costs expensed</b>		<b>530</b>	<b>485</b>
<b>(ii) Other borrowing costs</b>			
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
<b>Total other borrowing costs</b>		<b>102</b>	<b>130</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>632</b>	<b>615</b>

**Accounting policy for borrowing costs**

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

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Gwydir Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	9,516	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 <sup>2</sup>	68	73
<b>Legal expenses:</b>		
– 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	–
<b>Total materials and contracts</b>	<b>13,816</b>	<b>16,140</b>
Less: capitalised costs	(7,221)	(9,637)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>6,595</b>	<b>6,503</b>

**Accounting policy for materials and contracts**

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

**Operating leases (2019 only)**

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

**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:**

<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	63	69
<b>Remuneration for audit and other assurance services</b>	<b>63</b>	<b>69</b>
<b>Total Auditor-General remuneration</b>	<b>63</b>	<b>69</b>
<b>Non NSW Auditor-General audit firms</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	5	4
<b>Remuneration for audit and other assurance services</b>	<b>5</b>	<b>4</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>5</b>	<b>4</b>
<b>Total Auditor remuneration</b>	<b>68</b>	<b>73</b>

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Gwydir Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,013	935
Office equipment		64	69
Furniture and fittings		47	50
Land improvements (depreciable)		1	-
<b>Infrastructure:</b>	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
<b>Other assets:</b>			
- Other		10	9
<b>Reinstatement, rehabilitation and restoration assets:</b>			
- Tip assets	10,14	513	103
- Quarry assets	10,14	22	30
<b>Total gross depreciation and amortisation costs</b>		<b>8,259</b>	<b>8,265</b>
<b>Total depreciation and amortisation costs</b>		<b>8,259</b>	<b>8,265</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>	10		
- Buildings – non-specialised		(1,986)	-
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>(1,986)</b>	<b>-</b>
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>(1,986)</b>	<b>-</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</b>		<b>6,273</b>	<b>8,265</b>

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

**Depreciation and amortisation**

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

**Impairment of non-financial assets**

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

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

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**Gwydir Shire Council**

Financial Statements 2020

**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.

<b>\$ '000</b>	<b>2020</b>	<b>2019</b>
<b>(e) Other expenses</b>		
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)
Volunteer Services	283	–
<b>Total other expenses</b>	<b>2,599</b>	<b>2,120</b>
<b>TOTAL OTHER EXPENSES</b>	<b>2,599</b>	<b>2,120</b>

**Accounting policy for other expenses**

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

Gwydir Shire Council

Financial Statements 2020

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

Note 6. Gain or loss from disposal of assets

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

**Accounting policy for disposal of assets**

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

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

Gwydir Shire Council

Financial Statements 2020

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

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	535	523
Cash-equivalent assets		
– Deposits at call	401	264
– Short-term deposits	3,000	3,000
<b>Total cash and cash equivalents</b>	<b>3,936</b>	<b>3,787</b>

**Accounting policy for cash and cash equivalents**

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

Note 7(b). Investments

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	7,631	–	8,606	–
<b>Total Investments</b>	<b>7,631</b>	<b>–</b>	<b>8,606</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>11,567</b>	<b>–</b>	<b>12,393</b>	<b>–</b>
<b>Financial assets at fair value through the profit and loss</b>				
Managed funds	7,631	–	8,606	–
<b>Total</b>	<b>7,631</b>	<b>–</b>	<b>8,606</b>	<b>–</b>

**Accounting policy for investments**

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

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

**Financial assets**

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

**Classification**

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

- 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.

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Gwydir Shire Council

Financial Statements 2020

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

\$ '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
<b>External restrictions – included in liabilities</b>	<b>2,271</b>	<b>564</b>

**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	–
<b>External restrictions – other</b>	<b>4,629</b>	<b>6,874</b>

**Total external restrictions**

6,900 7,438

**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
<b>Total internal restrictions</b>	<b>4,623</b>	<b>4,906</b>

**TOTAL RESTRICTIONS**

11,523 12,344

Gwydir Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
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	–
<b>Total</b>	<b>2,673</b>	<b>–</b>	<b>2,018</b>	<b>–</b>
<b>Less: provision for impairment</b>				
User charges and fees	(5)	–	(5)	–
Sundry debtors	(119)	–	(119)	–
<b>Total provision for impairment – receivables</b>	<b>(124)</b>	<b>–</b>	<b>(124)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>2,549</b>	<b>–</b>	<b>1,894</b>	<b>–</b>

**Externally restricted receivables**

<b>Water supply</b>				
– Rates and availability charges	46	–	42	–
– Other	161	–	237	–
<b>Sewerage services</b>				
– Rates and availability charges	30	–	31	–
– Other	30	–	37	–
Developer Contributions	147	–	238	–
<b>Total external restrictions</b>	<b>414</b>	<b>–</b>	<b>585</b>	<b>–</b>
<b>Internally restricted receivables</b>				
Financial Assistance Grant advance payment	1,039	–	–	–
<b>Internally restricted receivables</b>	<b>1,039</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>1,096</b>	<b>–</b>	<b>1,309</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>2,549</b>	<b>–</b>	<b>1,894</b>	<b>–</b>

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

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Gwydir Shire Council

Financial Statements 2020

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.

Gwydir Shire Council

Financial Statements 2020

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

Note 9. Inventories and other assets

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
<b>Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	576	–	576	–
Stores and materials	222	–	228	–
<b>Total inventories at cost</b>	<b>798</b>	<b>–</b>	<b>804</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>798</b>	<b>–</b>	<b>804</b>	<b>–</b>

(i) Other disclosures

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
<b>(a) Details for real estate development</b>				
Residential	576	–	576	–
<b>Total real estate for resale</b>	<b>576</b>	<b>–</b>	<b>576</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	397	–	397	–
Development costs	179	–	179	–
<b>Total costs</b>	<b>576</b>	<b>–</b>	<b>576</b>	<b>–</b>
<b>Total real estate for resale</b>	<b>576</b>	<b>–</b>	<b>576</b>	<b>–</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	576	–	–	–
– Purchases and other costs	–	–	179	–
– Transfers in from (out to) Note 9	–	–	397	–
<b>Total real estate for resale</b>	<b>576</b>	<b>–</b>	<b>576</b>	<b>–</b>

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

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Real estate for resale	510	–	451	–
	<b>510</b>	<b>–</b>	<b>451</b>	<b>–</b>

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Gwydir Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

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**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.



Gwydir Shire Council

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

Financial Statements 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	Disposals	Carrying value at disposal	Depreciation expense	Impairment reversals (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (A/R)	Revaluation increments to equity (A/R)	Gross carrying amount	Accumulated depreciation	Net carrying amount								
Capital work in progress	7,655	-	7,655	5,701	-	-	-	-	-	-	-	-	12,137	-	12,137								
Plant and equipment	17,737	(8,796)	8,941	-	(287)	(1,013)	-	126	-	-	-	-	18,581	(9,508)	9,073								
Office equipment	864	(563)	281	-	-	(64)	-	-	-	-	-	-	954	(647)	307								
Furniture and fittings	1,260	(561)	699	-	-	(47)	-	-	-	-	-	-	1,300	(587)	713								
Land:																							
- Operational land	4,777	-	4,777	-	-	(80)	-	-	-	-	-	-	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	(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	-	-	-	4,095	(2,153)	1,942									
- Water supply network	23,001	(7,851)	15,150	39	(8)	(365)	-	18	-	-	-	23,264	(8,289)	14,975									
- Sewerage network	12,617	(7,720)	4,897	38	-	(182)	-	27	-	-	-	12,802	(7,977)	4,825									
- Swimming pools	2,708	(315)	2,393	-	(1,101)	(109)	-	-	-	-	-	1,388	(185)	1,183									
Other assets:																							
- Other	184	(46)	138	-	-	(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								
<b>Total Infrastructure, property, plant and equipment</b>	<b>532,161</b>	<b>(122,155)</b>	<b>410,006</b>	<b>7,493</b>	<b>(3,070)</b>	<b>(8,259)</b>	<b>1,986</b>	<b>-</b>	<b>(23,052)</b>	<b>24,989</b>	<b>-</b>	<b>495,070</b>	<b>(82,983)</b>	<b>412,087</b>									

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

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Gwydir Shire Council

Financial Statements 2020

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

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

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Gwydir Shire Council

Financial Statements 2020

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:

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	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
<b>Water and sewer assets</b>		<b>Buildings</b>	
Dams and reservoirs	15 to 100	Buildings	6 to 262
Bores	10 to 30		
Reticulation pipes: PVC	100	<b>Stormwater assets</b>	
Pumps and telemetry	15 to 100	Drains	50 to 100
Treatment plant	10 to 100	Culverts	100
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
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.

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Gwydir Shire Council

Financial Statements 2020

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

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

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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.

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Gwydir Shire Council

Financial Statements 2020

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

Note 11. Contract assets and liabilities

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

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

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

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Gwydir Shire Council

Financial Statements 2020

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### 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.

**Gwydir Shire Council**

Financial Statements 2020

**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
	<b>64</b>

**(b) Statement of Cash Flows**

Total cash outflow for leases	64
	<b>64</b>

**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.

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Gwydir Shire Council

Financial Statements 2020

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.

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Gwydir Shire Council

Financial Statements 2020

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
<b>(i) Operating lease income</b>	
<b>Other lease income</b>	
Housing Rent	33
Commercial Property	34
Medical Centres	29
Roxy Theatre	11
Community Housing	144
Caravan Park	78
<b>Total income relating to operating leases</b>	<b>329</b>

(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
<b>Total undiscounted contractual lease income receivable</b>	<b>1,866</b>

Gwydir Shire Council

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

Note 13. Payables and borrowings

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
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	–
<b>Total payables</b>	<b>3,645</b>	<b>–</b>	<b>3,578</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	1,180	7,085	1,274	8,266
<b>Total borrowings</b>	<b>1,180</b>	<b>7,085</b>	<b>1,274</b>	<b>8,266</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>4,825</b>	<b>7,085</b>	<b>4,852</b>	<b>8,266</b>

<sup>(1)</sup> 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
<b>(a) Current payables and borrowings not anticipated to be settled within the next twelve months</b>		
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	1,347	1,615
<b>Total payables and borrowings</b>	<b>1,347</b>	<b>1,615</b>

Gwydir Shire Council

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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
<b>TOTAL</b>	<b>9,540</b>	<b>(1,318)</b>	<b>–</b>	<b>43</b>	<b>–</b>	<b>–</b>	<b>8,265</b>

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	8,677	814	–	49	–	9,540
<b>TOTAL</b>	<b>8,677</b>	<b>814</b>	<b>–</b>	<b>49</b>	<b>–</b>	<b>9,540</b>

\$ '000	2020	2019
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(c) Financing arrangements

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

Bank overdraft facilities <sup>1</sup>	100	100
Credit cards/purchase cards	100	100
<b>Total financing arrangements</b>	<b>200</b>	<b>200</b>

Drawn facilities as at balance date:

– Credit cards/purchase cards	7	30
<b>Total drawn financing arrangements</b>	<b>7</b>	<b>30</b>

Undrawn facilities as at balance date:

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

(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

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Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

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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.

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions

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

\$ '000	2020	2019
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(a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,585	1,525
	<u>1,585</u>	<u>1,525</u>

(b) Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
<b>2020</b>		
At beginning of year	3,739	3,739
Unwinding of discount	59	59
Total other provisions at end of year	<u>3,798</u>	<u>3,798</u>
<b>2019</b>		
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	<u>3,739</u>	<u>3,739</u>

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.

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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.

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Financial Statements 2020

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

**Note 14. Provisions (continued)**

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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.

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Gwydir Shire Council

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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.

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Gwydir Shire Council

Financial Statements 2020

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)

<u>\$ '000</u>	<u>Balance at 1 July 2019</u>
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract liabilities</b>	
- Under AASB 15	56
- Under AASB 1058	657
<b>Total Contract liabilities</b>	<u>713</u>

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Gwydir Shire Council

Financial Statements 2020

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

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

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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	<i>Income Statement and comprehen- sive income under AASB 15 and AASB 1058</i>	<i>Reclassific- ation</i>	<i>Remeasur- ement</i>	<i>Income Statement and comprehen- sive income under previous revenue standards</i>	<i>Notes</i>
<u>Income from continuing operations</u>					
Rates and annual charges	10,548	-	-	10,548	
User charges and fees	3,467	-	-	3,467	
Other revenues	4,430	-	-	4,430	
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	
<b>Total Income from continuing operations</b>	<b>34,114</b>	<b>-</b>	<b>921</b>	<b>35,035</b>	
<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	2,599	-	-	2,599	
Net losses from the disposal of assets	2,576	-	-	2,576	
<b>Total Expenses from continuing operations</b>	<b>33,027</b>	<b>-</b>	<b>-</b>	<b>33,027</b>	
<b>Total Operating result from continuing operations</b>	<b>1,087</b>	<b>-</b>	<b>921</b>	<b>2,008</b>	
<b>Net operating result for the year</b>	<b>1,087</b>	<b>-</b>	<b>921</b>	<b>2,008</b>	
<b>Total comprehensive income</b>	<b>3,024</b>	<b>-</b>	<b>921</b>	<b>3,945</b>	

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

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Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

Adjustments to the 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	-	-	-
<b>Total assets</b>	<b>425,097</b>	<b>-</b>	<b>425,097</b>
Contract liabilities	-	713	713
<b>Total liabilities</b>	<b>19,685</b>	<b>713</b>	<b>20,398</b>
Accumulated surplus	277,731	(713)	277,018
<b>Total equity</b>	<b>405,412</b>	<b>(713)</b>	<b>404,699</b>

Gwydir Shire Council

Financial Statements 2020

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

Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	3,936	3,787
<b>Balance as per the Statement of Cash Flows</b>		<u>3,936</u>	<u>3,787</u>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		1,087	3,831
<b>Adjust for non-cash items:</b>			
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
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
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)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<u>9,442</u>	<u>13,386</u>

Gwydir Shire Council

Financial Statements 2020

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

Note 17. Commitments

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

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Gwydir Shire Council

Financial Statements 2020

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.

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Gwydir Shire Council

Financial Statements 2020

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.

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Gwydir Shire Council

Financial Statements 2020

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

**Note 18. Contingencies (continued)**

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**2. Other liabilities**

**(i) Third party claims**

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

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

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**Gwydir Shire Council**

Financial Statements 2020

**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
<b>2020</b>				
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)
<b>2019</b>				
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.

Gwydir Shire Council

Financial Statements 2020

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
<b>2020</b>						
Gross carrying amount	–	284	25	37	34	380
<b>2019</b>						
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
<b>2020</b>						
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%
<b>ECL provision</b>	–	–	–	–	124	124
<b>2019</b>						
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%
<b>ECL provision</b>	–	–	119	–	5	124

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Gwydir Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2020</b>							
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
<b>Total financial liabilities</b>		<b>49</b>	<b>4,651</b>	<b>5,695</b>	<b>3,017</b>	<b>13,412</b>	<b>11,669</b>
<b>2019</b>							
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
<b>Total financial liabilities</b>		<b>44</b>	<b>3,666</b>	<b>7,861</b>	<b>3,648</b>	<b>15,219</b>	<b>12,955</b>

Gwydir Shire Council

Financial Statements 2020

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 -----		
<b>REVENUES</b>					
Rates and annual charges	10,725	10,548	(177)	(2)%	<b>U</b>
User charges and fees	3,328	3,467	139	4%	<b>F</b>
Other revenues	3,674	4,430	756	21%	<b>F</b>
Following the revaluation of roads assets a number of assets were identified that had previously not been included in the assets register, \$506k, under new accounting standards council is also now required to account for volunteer services provided to CHSP and visitor centre, \$283k. A contra cost is also shown in other expenses.					
Operating grants and contributions	11,755	10,332	(1,423)	(12)%	<b>U</b>
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%	<b>F</b>
Interest and investment revenue	179	153	(26)	(15)%	<b>U</b>
Interest on investment was less than budget due to the continuing decline in interest rates.					
Net gains from disposal of assets	460	–	(460)	100%	<b>U</b>
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	∞	<b>F</b>
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%	<b>F</b>

Gwydir Shire Council

Financial Statements 2020

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

Note 20. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
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**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
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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	2,599	420	14%	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
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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
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Gwydir Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
	30/06/20	–	7,631	–	7,631
		–	7,631	–	7,631
<b>Infrastructure, property, plant and equipment</b>					
	30/06/20	–	–	9,073	9,073
	30/06/20	–	–	307	307
	30/06/20	–	–	713	713
	01/07/19	–	–	5,917	5,917
	30/06/16	–	–	2,930	2,930
	30/06/20	–	–	63	63
	01/07/19	–	–	29,145	29,145
	01/07/19	–	–	27,695	27,695
	30/06/16	–	–	4,640	4,640
	30/06/20	–	–	256,199	256,199
	30/06/20	–	–	35,727	35,727
	30/06/20	–	–	1,373	1,373
	30/06/18	–	–	1,942	1,942
	30/06/18	–	–	14,975	14,975
	30/06/18	–	–	4,825	4,825
	30/06/16	–	–	1,183	1,183
	30/06/16	–	–	159	159
	30/06/19	–	–	2,792	2,792
	30/06/17	–	–	292	292
	30/06/20	–	–	12,137	12,137
		–	–	412,087	412,087

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Gwydir Shire Council

Financial Statements 2020

Notes to the Financial Statements  
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Note 21. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
	30/06/19	–	8,606	–	8,606
		–	8,606	–	8,606
<b>Infrastructure, property, plant and equipment</b>					
	30/06/19	–	–	8,941	8,941
	30/06/19	–	–	281	281
	30/06/19	–	–	699	699
	30/06/18	–	–	4,777	4,777
	30/06/16	–	–	2,930	2,930
	-	–	–	–	–
	30/06/18	–	–	15,597	15,597
	30/06/18	–	–	16,803	16,803
	30/06/16	–	–	4,404	4,404
	30/06/15	–	–	279,086	279,086
	30/06/15	–	–	38,143	38,143
	30/06/15	–	–	2,666	2,666
	30/06/18	–	–	1,827	1,827
	30/06/18	–	–	15,150	15,150
	30/06/18	–	–	4,897	4,897
	30/06/16	–	–	2,393	2,393
	30/06/16	–	–	138	138
	30/06/17	–	–	3,305	3,305
	30/06/17	–	–	314	314
	30/06/19	–	–	7,655	7,655
		–	–	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.



**Gwydir Shire Council**

Financial Statements 2020

**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)
<b>Land</b>					
Saleable land	3	Market	5,917		5,917
Non saleable land	3	Cost	2,930		2,930
Total					
<b>Buildings (cost approach)</b>					
Specialised buildings	3	Cost	36,990	7,845	29,145
Total					
<b>Buildings (market/income approach)</b>					
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.

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Gwydir Shire Council

Financial Statements 2020

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**

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**Gwydir Shire Council**

Financial Statements 2020

**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.

Gwydir Shire Council

Financial Statements 2020

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
<b>2019</b>	
<b>Opening balance</b>	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
<b>Closing balance</b>	<b>410,006</b>
<b>2020</b>	
<b>Opening balance</b>	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	–
<b>Closing balance</b>	<b>412,087</b>

Gwydir Shire Council

Financial Statements 2020

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	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
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.

Gwynidr Shire Council

Financial Statements 2020

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

Note 22. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	694	803
Post-employment benefits	63	158
<b>Total</b>	<b>757</b>	<b>961</b>

(b) Other transactions with KMP and their related parties

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

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

Gwynidr Shire Council

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

Financial Statements 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

	as at 30/06/19				as at 30/06/20			
\$ '000	Opening Balance	Contributions received during the year Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to/from)	Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 not under plans	500	195	-	3	(263)	-	435	-
Total contributions	500	195	-	3	(263)	-	435	-
<b>S7.11 Contributions – not under a plan</b>								
<b>CONTRIBUTIONS NOT UNDER A PLAN</b>								
Roads	500	195	-	3	(263)	-	435	-
Total	500	195	-	3	(263)	-	435	-



Gwydir Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Result by fund

\$ '000	Waste 2020	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Income Statement by fund</b>				
<b>Income from continuing operations</b>				
Rates and annual charges	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	4,276	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	–	–
<b>Total income from continuing operations</b>	<b>1,640</b>	<b>30,018</b>	<b>1,701</b>	<b>755</b>
<b>Expenses from continuing operations</b>				
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	2,325	219	42
Net losses from the disposal of assets	–	2,568	8	–
<b>Total expenses from continuing operations</b>	<b>1,803</b>	<b>28,796</b>	<b>1,624</b>	<b>804</b>
<b>Operating result from continuing operations</b>	<b>(163)</b>	<b>1,222</b>	<b>77</b>	<b>(49)</b>
<b>Net operating result for the year</b>	<b>(163)</b>	<b>1,222</b>	<b>77</b>	<b>(49)</b>
<b>Net operating result attributable to each council fund</b>	<b>(163)</b>	<b>1,222</b>	<b>77</b>	<b>(49)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(163)</b>	<b>(1,647)</b>	<b>77</b>	<b>(49)</b>

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

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

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Gwydir Shire Council

Financial Statements 2020

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

Note 24. Result by fund (continued)

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

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

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

Gwydir Shire Council

Financial Statements 2020

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	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(1,192)	(4.07)%	(4.16)%	0.11%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	29,259				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	18,927	58.91%	55.16%	58.69%	>60.00%
Total continuing operating revenue <sup>1</sup>	32,128				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	8,028	1.79x	1.56x	1.73x	>1.50x
Current liabilities less specific purpose liabilities	4,484				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	7,699	4.04x	4.23x	4.19x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,907				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	439	4.00%	3.66%	3.90%	<10.00%
Rates, annual and extra charges collectible	10,973				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	3,936	1.90	1.97	1.90	>3.00
Monthly payments from cash flow of operating and financing activities	2,068	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

Gwydir Shire Council

Financial Statements 2020

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

Note 25(b). Statement of performance measures – by fund

	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>\$ '000</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses	(4.58)%	(4.87)%	5.00%	1.54%	(6.49)%	5.33%	>0.00%
Total continuing operating revenue excluding capital grants and contributions							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	55.51%	51.29%	100.00%	100.00%	100.00%	99.75%	>60.00%
Total continuing operating revenue							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	1.79x	1.67x	3.81x	4.11x	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	4.34x	4.73x	1.99x	1.61x	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	3.69%	3.37%	6.99%	5.94%	4.91%	5.07%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	1.38 mths	1.51 mths	2.31 mths	1.28 mths	20.23 mths	20.99 mths	>3.00 mths
Payments from cash flow of operating and financing activities							

(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.

# 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.*



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November 2020

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Gwydir Shire Council

Special Purpose Financial Statements 2020

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).

Gwydir Shire Council

Special Purpose Financial Statements 2020

**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

Gwydir Shire Council

Special Purpose Financial Statements 2020

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

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	724	723
User charges	950	1,046
Fees	7	3
Interest	11	17
Other income	9	35
<b>Total income from continuing operations</b>	<b>1,701</b>	<b>1,824</b>
<b>Expenses from continuing operations</b>		
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
<b>Total expenses from continuing operations</b>	<b>1,624</b>	<b>1,816</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>77</b>	<b>8</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>77</b>	<b>8</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>77</b>	<b>8</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(21)	(2)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>56</b>	<b>6</b>
<b>Plus accumulated surplus</b>	12,748	12,740
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	21	2
<b>Closing accumulated surplus</b>	<b>12,825</b>	<b>12,748</b>
<b>Return on capital %</b>	1.2%	0.9%
<b>Subsidy from Council</b>	–	67
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	56	6
<b>Surplus for dividend calculation purposes</b>	<b>56</b>	<b>6</b>
<b>Potential dividend calculated from surplus</b>	<b>28</b>	<b>3</b>

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Gwydir Shire Council

Special Purpose Financial Statements 2020

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

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



Gwydir Shire Council

Special Purpose Financial Statements 2020

Income Statement – Waste business activity  
for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>Income from continuing operations</b>		
Access charges	1,453	1,438
Interest	43	71
Other income	144	80
<b>Total income from continuing operations</b>	<b>1,640</b>	<b>1,589</b>
<b>Expenses from continuing operations</b>		
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)
<b>Total expenses from continuing operations</b>	<b>1,803</b>	<b>1,050</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(163)</b>	<b>539</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(163)</b>	<b>539</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(163)</b>	<b>539</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(148)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(163)</b>	<b>391</b>
<b>Plus accumulated surplus</b>	<b>2,880</b>	<b>2,341</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	–	148
<b>Closing accumulated surplus</b>	<b>2,717</b>	<b>2,880</b>
<b>Return on capital %</b>	<b>(4.5)%</b>	<b>13.8%</b>
<b>Subsidy from Council</b>	<b>189</b>	<b>–</b>

Gwydir Shire Council

Special Purpose Financial Statements 2020

Income Statement – Naroo aged care  
 for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
<b>Income from continuing operations</b>		
Rentals	2,690	2,437
Interest	11	8
Other income	-	1
<b>Total income from continuing operations</b>	<b>2,701</b>	<b>2,446</b>
<b>Expenses from continuing operations</b>		
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
<b>Total expenses from continuing operations</b>	<b>2,820</b>	<b>2,919</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(119)</b>	<b>(473)</b>
Grants and contributions provided for capital purposes	88	361
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(31)</b>	<b>(112)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(31)</b>	<b>(112)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(31)</b>	<b>(112)</b>
Plus accumulated surplus	(471)	(359)
Plus adjustments for amounts unpaid:		
<b>Closing accumulated surplus</b>	<b>(502)</b>	<b>(471)</b>
Return on capital %	0.4%	(7.5)%
Subsidy from Council	37	380

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Gwydir Shire Council

Special Purpose Financial Statements 2020

Statement of Financial Position – Water Supply Business Activity  
 as at 30 June 2020

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

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Chairman .....

**Gwydir Shire Council**

Special Purpose Financial Statements 2020

**Statement of Financial Position – Sewerage Business Activity**  
as at 30 June 2020

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

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Chairman .....

Gwydir Shire Council

Special Purpose Financial Statements 2020

Statement of Financial Position – Waste business activity  
 as at 30 June 2020

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

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Chairman .....

Gwydir Shire Council

Special Purpose Financial Statements 2020

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

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

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Chairman .....

Gwydir Shire Council

Special Purpose Financial Statements 2020

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 -**

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Gwydir Shire Council

Special Purpose Financial Statements 2020

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.

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Gwydir Shire Council

Special Purpose Financial Statements 2020

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).

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Gwydir Shire Council

Special Purpose Financial Statements 2020

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

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

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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.

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**Cr Marilyn Dixon OAM**

**Dead Street Trees In Bingara (Ref: 297/20)**

Cr Dixon expressed her concern at the number of dead and possibly dangerous street trees in Bingara. She particularly mentioned some trees in Bombelli Street that require attention.

The meeting was advised that an audit of the dead trees located within the Bingara road reserves will be conducted and that any necessary remedial action will be undertaken.

**Cr Geoff Smith**

**Crooble Hall (Ref: 298/20)**

Cr Smith advised the meeting that a member of the Crooble Hall Committee had contacted with a concern about the delay in undertaking some required grant funded work at the hall.

The meeting was advised that any change in the scope of work within these grant funded projects requires State government approval, which has been lodged but remains unapproved.

**RFS Meeting (Ref: 299/20)**

Cr Smith also provide a brief update on the recent meeting that he, Crs D Coulton, J Coulton and J Moore along with the Shire Engineer and General Manager had with RFS Chief Superintendent Heath Stimson and Shellie Smyth, Manager Community Risk. The quest for the 150 metre firebreak around Warialda continues.

**Cr Jim Moore**

**Return and Earn Scheme (Ref: 300/20)**

Cr Moore requested an update on whether any alternate provider has been attracted to take over the scheme.

The meeting was advised that there is some hope that the Warialda IGA may take on providing the service if space on the IGA site can be found.

**Cr Stuart Dick**

**Bush Fire Preparedness (Ref: 301/20)**

Cr Dick reminded all present that the upcoming predicted high temperatures will require everyone to be vigilant and have their individual fire safety plans ready for implementation, if needed.

**Cr Frances Young**

**Bingara Art Gallery (Ref: 302/20)**

Cr Young advised the meeting that the group putting together the Art Gallery are hopeful of being ready to open officially in late February 2021.

**Electric Vehicle Recharging Stations (Ref: 303/20)**

Cr Young advised the meeting that she had noted that these charging stations are being developed in some rural areas and wondered if Gwydir Shire could be considered for one or two charging stations.

The meeting was advised that the program being discussed by Cr Young was probably the program being introduced by the NRMA and the matter will be investigated.

**Cr David Coulton**

**Assistance for Infirm, Disabled and Elderly Residents (AIDER – Ref: 304/20)**

Cr D Coulton advised the meeting that one of the matters raised in the RFS Meeting was the AIDER Program, which offers a once only free service to clean up land in a bush fire prone area for residents that meet the qualification requirements.

**Roads, Regions, Resilience Conference (Ref: 305/20)**

Cr D Coulton, supported as well be the Mayor, expressed his disappointment in the this conference due to the lack of focus on roads.

**Cr Catherine Egan**

**Gwydir River Pontoon (Ref: 306/20)**

Cr Egan requested that a garbage bin be provided at the pontoon site together with appropriate signage and defined car park to stop vehicles parking so close to the pontoon.

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Chairman .....

The meeting was advised that these works will be undertaken.

**LGNSW Zoom Annual Conference (Ref: 307/20)**

Cr Egan expressed her disappointment in the way this conference was conducted. It was extremely boring, which was also echoed by the Mayor.

**Cr John Coulton**

**Inland Rail (Ref: 308/20)**

The Mayor gave a brief update on a recent meeting held with possible contractors for part of the Inland Rail construction pointing out that he continues to encourage the development of a workers' camp at North star.

**General Manager**

**Warialda Rail Water Supply (Ref: 309/20)**

The concurrence of the Council was requested to undertaking a survey of the Warialda Rail residents outlining the pros, cons and likely cost implications of providing a town water supply to the area. Once the residents have the facts their opinion of whether they would support the investigation to be undertaken without any guarantee that the project would be viable.

The proposed survey as outlined was supported.

**Meeting closed 12.37 pm**