

Weddin Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020



Weddin Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

Corner Camp & Weddin Streets
Grenfell NSW 2810

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.weddin.nsw.gov.au.

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 17 September 2020.



Cr Mark Liebich
Mayor
17 September 2020



Cr Paul Best
Councillor
17 September 2020



Glenn Carroll
General Manager
17 September 2020



Lachlan Gibson
Responsible Accounting Officer
17 September 2020

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		5,891	3,611
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	28,237	31
Other comprehensive income – joint ventures and associates		360	191
Total items which will not be reclassified subsequently to the operating result		28,597	222
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		668	118
Total items which will be reclassified subsequently to the operating result when specific conditions are met		668	118
Total other comprehensive income for the year		29,265	340
Total comprehensive income for the year		35,156	3,951
Total comprehensive income attributable to Council		35,156	3,951

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	8,583	7,257
Receivables	8	604	1,530
Inventories	9	149	236
Contract assets	11a	1,195	–
Total current assets		<u>10,531</u>	<u>9,023</u>
Non-current assets			
Investments	7(b)	–	118
Receivables	8	231	104
Infrastructure, property, plant and equipment	10	194,215	164,664
Right of use assets	12a	26	–
Investments accounted for using the equity method		29,110	24,761
Total non-current assets		<u>223,582</u>	<u>189,647</u>
Total assets		<u>234,113</u>	<u>198,670</u>
LIABILITIES			
Current liabilities			
Payables	13	1,004	936
Contract liabilities	11b	1,106	–
Lease liabilities	12b	8	–
Borrowings	13	80	77
Provisions	14	1,584	1,699
Total current liabilities		<u>3,782</u>	<u>2,712</u>
Non-current liabilities			
Payables	13	1	–
Lease liabilities	12b	18	–
Borrowings	13	3,665	3,744
Provisions	14	766	849
Total non-current liabilities		<u>4,450</u>	<u>4,593</u>
Total liabilities		<u>8,232</u>	<u>7,305</u>
Net assets		<u>225,881</u>	<u>191,365</u>
EQUITY			
Accumulated surplus	15	155,136	148,739
Revaluation reserves	15	70,745	42,508
Other reserves	15	–	118
Council equity interest		<u>225,881</u>	<u>191,365</u>
Total equity		<u>225,881</u>	<u>191,365</u>

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20				as at 30/06/19			
		Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity	Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity
Opening balance		148,739	42,508	118	191,365	144,937	42,477	–	187,414
Changes due to AASB 1058 and AASB 15 adoption	15	(640)	–	–	(640)	–	–	–	–
Changes due to AASB 16 adoption	15	–	–	–	–	–	–	–	–
Net operating result for the year		5,891	–	–	5,891	3,611	–	–	3,611
Other comprehensive income									
– Adoption of new accounting standards – not retrospective	15b	–	–	–	–	–	–	118	118
– Gain (loss) on revaluation of IPP&E	10	–	28,237	–	28,237	–	31	–	31
– Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		–	–	668	668	–	–	–	–
– Realised (gain) loss on financial assets at fair value through other comprehensive income		786	–	(786)	–	–	–	–	–
– Joint ventures and associates		360	–	–	360	191	–	–	191
Other comprehensive income		1,146	28,237	(118)	29,265	191	31	118	340
Total comprehensive income		7,037	28,237	(118)	35,156	3,802	31	118	3,951
Equity – balance at end of the reporting period		155,136	70,745	–	225,881	148,739	42,508	118	191,365

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
3,671	Rates and annual charges		3,646	3,598
2,178	User charges and fees		4,292	2,307
149	Investment and interest revenue received		120	213
7,413	Grants and contributions		7,955	7,686
289	Other		972	875
Payments:				
(4,336)	Employee benefits and on-costs		(4,152)	(4,212)
(3,034)	Materials and contracts		(4,723)	(3,590)
(157)	Borrowing costs		(115)	(159)
–	Bonds, deposits and retention amounts refunded		(1)	(7)
(841)	Other		(3,037)	(1,503)
5,332	Net cash provided (or used in) operating activities	16b	4,957	5,208
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		786	–
30	Sale of real estate assets		184	–
150	Sale of infrastructure, property, plant and equipment		315	50
–	Deferred debtors receipts		22	41
Payments:				
(7,467)	Purchase of infrastructure, property, plant and equipment		(4,651)	(5,161)
(60)	Purchase of real estate assets		–	–
–	Deferred debtors and advances made		(202)	–
(7,347)	Net cash provided (or used in) investing activities		(3,546)	(5,070)
Cash flows from financing activities				
Payments:				
(82)	Repayment of borrowings and advances		(76)	(74)
–	Lease liabilities (principal repayments)		(9)	–
(82)	Net cash flow provided (used in) financing activities		(85)	(74)
(2,097)	Net increase/(decrease) in cash and cash equivalents		1,326	64
7,000	Plus: cash and cash equivalents – beginning of year	16a	7,257	7,193
4,903	Cash and cash equivalents – end of the year	16a	8,583	7,257
118	plus: Investments on hand – end of year	7(b)	–	118
5,021	Total cash, cash equivalents and investments		8,583	7,375

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 04 November 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (iii) estimated tip remediation provisions – refer Note 14
- (iv) 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 employees required to isolate.

Council has lost income for the Grenfell Caravan Park due to the compulsory lockdown and some additional costs have been incurred in cleaning of council facilities.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

For assets where fair value is determined by market value Council has no evidence of material changes to these values.

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.

(ii) Estimated fair values of infrastructure, property, plant and equipment

Council has made significant judgements in calculating the fair value of its infrastructure, property, plant and equipment - refer Note 10

(iii) Estimated tip remediation liabilities

Council has made significant judgements in calculating the timing and value of its tip remediation liabilities - refer Note 14

(iv) Employee benefit provisions

Council has made significant judgements concerning the timing of its Employee benefit provisions - refer Note 14

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Sewerage service

(b) The Trust Fund

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

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

The following 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 does not make use of volunteer services.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

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

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

AASB 1059 Service Concession Arrangements: Grantors

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

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

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

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

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

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

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

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

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

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

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

New accounting standards adopted during the year

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 15.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	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
Functions or activities										
Administration	584	232	3,404	2,761	(2,820)	(2,529)	–	65	14,082	13,086
Public Order and Safety	162	86	494	355	(332)	(269)	249	89	198	202
Community Services and Education	–	2	–	2	–	–	2	2	–	–
Housing and Community Amenities	306	648	992	1,065	(686)	(417)	89	119	8,113	8,552
Health	42	765	170	437	(128)	328	–	740	3,037	3,144
Sewer Services	1,095	767	384	571	711	196	534	214	5,119	3,679
Recreation and Cultural	2,194	679	1,784	1,174	410	(495)	1,530	594	12,507	11,323
Mining, Manufacturing and Construction	–	43	69	8	(69)	35	–	–	–	–
Transport and Communications	1,795	2,902	2,782	3,070	(987)	(168)	2,384	2,142	161,174	132,651
Economic Affairs	3,503	2,995	3,715	2,112	(212)	883	1,083	97	783	1,272
General Purposes Revenue	6,015	5,690	–	–	6,015	5,690	1,776	2,835	–	–
Share of Central Tablelands Water	3,989	357	–	–	3,989	357	–	–	29,110	24,761
Other	–	–	–	–	–	–	–	–	(10)	–
Total functions and activities	19,685	15,166	13,794	11,555	5,891	3,611	7,647	6,897	234,113	198,670

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Administration

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

Public Order and Safety

Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

Community Services and Education

Includes administration and education; other community services a; youth services; aged and disabled persons services and other family and children services.

Housing and Community Amenities

Includes other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management, public cemeteries, public conveniences, street lighting, town planning, housing and other community amenities.

Health

Includes inspections, immunisation, food control, health centres, destruction of noxious pests.

Sewer Services

Reticulated sewerages services.

Recreation and Cultural

Includes public libraries; museums; art galleries; community centres, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens (including dams) and other sporting, recreational and cultural services.

Mining, Manufacturing and Construction

Includes building control, quarries and pits

Transport and Communications

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas.

Economic Affairs

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; real estate development; and other business undertakings.

General Purposes Revenue

Includes rate and charges (excluding water and sewer) non capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and charges.

Share of Central Tablelands Water

Council's share of the assets of the water supply authority servicing the shire.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	950	941
Farmland	1058 (1)	1,691	1,645
Mining	1058 (1)	7	7
Business	1058 (1)	140	134
Less: pensioner rebates (mandatory)	1058 (1)	(111)	(109)
Rates levied to ratepayers		2,677	2,618
Pensioner rate subsidies received	1058 (1)	60	62
Total ordinary rates		2,737	2,680
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	344	331
Sewerage services	1058 (1)	518	521
Waste management services (non-domestic)	1058 (1)	85	85
Less: pensioner rebates (mandatory)	1058 (1)	(28)	(28)
Annual charges levied		919	909
Pensioner subsidies received:			
– Sewerage	1058 (1)	15	16
Total annual charges		934	925
TOTAL RATES AND ANNUAL CHARGES		3,671	3,605

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

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

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

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

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Sewerage services	1058 (1)	22	22
Total specific user charges		22	22
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	15 (1)	44	76
Private works – section 67	15 (1)	59	143
Town planning	15 (1)	41	15
Total fees and charges – statutory/regulatory		144	234
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Caravan park	15 (1)	62	68
Cemeteries	15 (1)	65	58
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (1)	2,455	2,404
Swimming centres	15 (1)	36	41
Waste disposal tipping fees	15 (1)	24	6
Community technology centre	15 (1)	101	82
Other	15 (1)	86	38
Total fees and charges – other		2,829	2,697
TOTAL USER CHARGES AND FEES		2,995	2,953

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

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

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

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

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

Accounting policy for user charges and fees

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties (2019 only)		–	39
Legal fees recovery – rates and charges (extra charges)		11	–
Commissions and agency fees	15 (1)	64	58
Diesel rebate	1058 (1)	33	48
Recycling income (non-domestic)	15 (1)	7	12
Insurance rebates	1058 (1)	27	30
<u>TOTAL OTHER REVENUE</u>		<u>142</u>	<u>187</u>

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	863	889	–	–
Financial assistance – local roads component	1058 (1)	509	503	–	–
Payment in advance - future year allocation					
Financial assistance	1058 (1)	914	921	–	–
Financial assistance – general component	1058 (1)	541	522	–	–
Total general purpose		2,827	2,835	–	–
Specific purpose					
Sewerage services	1058 (2)	–	–	534	214
Bushfire and emergency services	1058 (1)	122	81	–	–
Heritage and cultural	1058 (1)	12	15	–	–
Library	1058 (1)	69	25	–	–
Noxious weeds	1058 (1)	42	23	–	–
Recreation and culture	1058 (2)	–	–	78	26
Storm/flood damage	1058 (1)	91	84	–	–
Street lighting	1058 (1)	35	35	–	–
Transport (roads to recovery)	1058 (1)	953	261	–	–
Transport (other roads and bridges funding)	1058 (2)	47	–	53	1,877
Stronger Country Communities	1058 (2)	283	–	1,362	528
Medical Centre	1058 (2)	–	–	–	717
Safer Communities CCTV	1058 (2)	–	–	100	97
Crown Land Management	1058 (1)	–	65	–	–
Drought Communities	1058 (1)	1,010	–	–	–
Emergency Water Carting	1058 (1)	22	–	–	–
Other	1058 (1)	7	10	–	4
Total specific purpose		2,693	599	2,127	3,463
Total grants		5,520	3,434	2,127	3,463
Grant revenue is attributable to:					
– Commonwealth funding		4,579	3,096	100	717
– State funding		941	338	2,027	2,491
– Other funding		–	–	–	255
		5,520	3,434	2,127	3,463

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 64 – sewerage service contributions		1058 (1)	–	–	15	11
Total developer contributions – cash			–	–	15	11
Total developer contributions	24		–	–	15	11
Other contributions:						
Cash contributions						
Recreation and culture		1058 (2)	–	–	–	33
RMS contributions (regional roads, block grant)		1058 (1)	758	726	178	203
Total other contributions – cash			758	726	178	236
Total other contributions			758	726	178	236
Total contributions			758	726	193	247
TOTAL GRANTS AND CONTRIBUTIONS			6,278	4,160	2,320	3,710

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

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

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

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

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

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

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

The performance obligations are varied based on the agreement but include [provide details of performance obligations within AASB 15 grants e.g. events, vaccinations]. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(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	65	–
Add: operating grants recognised as income in the current period but not yet spent (2019 only)		
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	65
Less: operating grants recognised in a previous reporting period now spent	(14)	–
Unexpended and held as externally restricted assets (operating grants)	51	65
Capital grants		
Unexpended at the close of the previous reporting period	740	–
Add: capital grants recognised as income in the current period but not yet spent	–	740
Less: capital grants recognised in a previous reporting period now spent	(740)	–
Unexpended and held as externally restricted assets (capital grants)	–	740
Contributions		
Unexpended at the close of the previous reporting period	183	172
Add: contributions recognised as income in the current period but not yet spent	17	11
Unexpended and held as externally restricted assets (contributions)	200	183

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	14	29
– Cash and investments	87	153
Southern Phone Shares Dividend	16	12
Total Interest and investment income	117	194
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	11	25
General Council cash and investments	101	162
Restricted investments/funds – external:		
Development contributions		
– Section 64	2	–
Sewerage fund operations	3	7
Total interest and investment revenue	117	194

Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	3,464	3,701
Superannuation	441	446
Workers' compensation insurance	136	123
Fringe benefit tax (FBT)	21	26
Occupational health and safety	38	14
Total employee costs	4,100	4,310
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>4,100</u>	<u>4,310</u>
Number of 'full-time equivalent' employees (FTE) at year end	55	57

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		1	–
Interest on loans		156	159
Total interest bearing liability costs		157	159
Total interest bearing liability costs expensed		157	159
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	14	7	8
Total other borrowing costs		7	8
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>164</u>	<u>167</u>

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	4,366	3,135
Auditors remuneration ²	37	36
Legal expenses:		
– Legal expenses: other	6	34
Expenses from leases of low value assets (2020 only)	6	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	5
Total materials and contracts	<u>4,415</u>	<u>3,210</u>
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>4,415</u>	<u>3,210</u>

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Plant & Equipment	–	5
	<u>–</u>	<u>5</u>

2. Auditor remuneration

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

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

Audit and review of financial statements	37	36
Total Auditor-General remuneration	<u>37</u>	<u>36</u>
Total Auditor remuneration	<u>37</u>	<u>36</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		405	373
Office equipment		39	38
Furniture and fittings		9	7
Infrastructure:	10		
– Buildings – non-specialised		366	283
– Buildings – specialised		89	99
– Other structures		96	88
– Roads		1,196	1,196
– Bridges		256	256
– Footpaths		35	35
– Stormwater drainage		71	71
– Sewerage network		75	132
– Swimming pools		206	204
Right of use assets	12	9	–
Other assets:			
– Library books		23	21
– Other		1	1
Reinstatement, rehabilitation and restoration assets:			
– Asset reinstatement costs	14,10	37	26
Total gross depreciation and amortisation costs		<u>2,913</u>	<u>2,830</u>
Total depreciation and amortisation costs		<u>2,913</u>	<u>2,830</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>2,913</u>	<u>2,830</u>

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

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

Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	35	32
Training costs (other than salaries and wages)	59	27
Bad and doubtful debts	(1)	–
Contributions/levies to other levels of government		
– Emergency services levy	6	5
– NSW fire brigade levy	27	25
– NSW rural fire service levy	228	182
Councillor expenses – mayoral fee	27	26
Councillor expenses – councillors' fees	108	107
Councillors' expenses (incl. mayor) – other (excluding fees above)	15	5
Donations, contributions and assistance to other organisations (Section 356)	1,162	70
Electricity and heating	154	156
Insurance	228	227
Postage	11	11
Street lighting	91	121
Telephone and communications	52	35
Total other expenses	2,202	1,029
TOTAL OTHER EXPENSES	2,202	1,029

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		–	20
Less: carrying amount of property assets sold/written off		–	(54)
Net gain/(loss) on disposal		–	(34)
Plant and equipment			
	10		
Proceeds from disposal – plant and equipment		315	30
Less: carrying amount of plant and equipment assets sold/written off		(209)	(5)
Net gain/(loss) on disposal		106	25
Infrastructure			
	10		
Less: carrying amount of infrastructure assets sold/written off		(138)	–
Net gain/(loss) on disposal		(138)	–
Real estate assets held for sale			
	9		
Proceeds from disposal – real estate assets		184	–
Less: carrying amount of real estate assets sold/written off		(25)	–
Net gain/(loss) on disposal		159	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>127</u>	<u>(9)</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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	2,583	757
Cash-equivalent assets		
– Short-term deposits	6,000	6,500
Total cash and cash equivalents	8,583	7,257

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes 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.

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
'Financial assets at fair value through other comprehensive income'	–	–	–	118
Total Investments	–	–	–	118
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	8,583	–	7,257	118

	Fair value at 30/06/20	Dividend income recognised during 1/7/19 – 30/6/20

Financial assets designated as at fair value through other comprehensive income

Preamble

The investments shown below are designated as financial assets as at fair value through other comprehensive income because these financial assets represent investments that the Council intends to hold for the long-term for strategic purposes.

Southern Phone Shares	–	16
Total	–	16

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Fair value through other comprehensive income – equity instruments

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

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

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

Financial assets through profit or loss

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	8,583	–	7,257	118
attributable to:				
External restrictions	1,939	–	1,528	–
Internal restrictions	4,613	–	3,997	–
Unrestricted	2,031	–	1,732	118
	8,583	–	7,257	118

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	505	–
Specific purpose unexpended grants – sewer fund	602	–
External restrictions – included in liabilities	1,107	–

External restrictions – other

Developer contributions – sewer fund	200	183
Specific purpose unexpended grants (recognised as revenue) – general fund	51	805
Sewerage services	581	540
External restrictions – other	832	1,528

Total external restrictions

	1,939	1,528
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Internal restrictions

Plant and vehicle replacement	247	–
Employees leave entitlement	500	500
Development projects	93	79
Gravel pits	36	36
Office equipment	40	40
Town and shire works	2,243	1,899
Financial Assistance Grant advance payment	1,454	1,443

Total internal restrictions

	4,613	3,997
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TOTAL RESTRICTIONS

	6,552	5,525
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	287	–	191	–
Interest and extra charges	2	–	5	–
User charges and fees	135	–	914	–
Private works	6	–	232	–
Accrued revenues				
– Other income accruals	12	–	34	–
Deferred debtors	69	231	16	104
Net GST receivable	123	–	169	–
Total	634	231	1,561	104
Less: provision of impairment				
Rates and annual charges	(25)	–	(26)	–
User charges and fees	(5)	–	(5)	–
Total provision for impairment – receivables	(30)	–	(31)	–
TOTAL NET RECEIVABLES	604	231	1,530	104

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	31	79
– amounts already provided for and written off this year	–	(48)
– previous impairment losses reversed	(1)	–
Balance at the end of the year	30	31

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

- the financial assets (for non-rates debtors) are more than 90 days past due.

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

Covid 19

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Inventories				
(i) Inventories at cost				
Real estate for resale	37	–	62	–
Stores and materials	112	–	174	–
Total inventories at cost	149	–	236	–
<u>TOTAL INVENTORIES</u>	<u>149</u>	<u>–</u>	<u>236</u>	<u>–</u>

(i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development					
Industrial/commercial		37	–	62	–
Total real estate for resale		37	–	62	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		37	–	62	–
Total costs		37	–	62	–
Total real estate for resale		37	–	62	–
Movements:					
Real estate assets at beginning of the year		62	–	62	–
– WDV of sales (expense)	6	(25)	–	–	–
Total real estate for resale		37	–	62	–

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

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

\$ '000	2020	2019
Real estate for resale	37	42
	<u>37</u>	<u>42</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

\$ '000	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	691	–	691	501	–	–	–	–	–	–	1,192	–	1,192
Plant and equipment	6,613	(4,296)	2,317	–	465	(209)	(405)	–	–	–	6,078	(3,910)	2,168
Office equipment	1,111	(918)	193	–	66	–	(39)	–	–	–	1,176	(956)	220
Furniture and fittings	179	(115)	64	–	2	–	(9)	–	–	–	181	(124)	57
Land:													
– Operational land	1,353	–	1,353	–	–	–	–	–	–	–	1,353	–	1,353
– Community land	1,133	–	1,133	–	–	–	–	–	–	–	1,133	–	1,133
Infrastructure:													
– Buildings – non-specialised	14,281	(7,088)	7,193	78	–	–	(366)	–	–	–	14,359	(7,454)	6,905
– Buildings – specialised	5,096	(2,858)	2,238	1,501	–	(138)	(89)	–	–	–	5,856	(2,344)	3,512
– Other structures	2,928	(1,105)	1,823	68	145	–	(96)	–	–	–	3,141	(1,201)	1,940
– Roads	93,445	(19,175)	74,270	649	–	–	(1,196)	–	(8,022)	–	115,966	(50,265)	65,701
– Bridges	32,721	(8,135)	24,586	264	–	–	(256)	–	–	6,472	44,151	(13,085)	31,066
– Footpaths	1,602	(775)	827	35	–	–	(35)	–	–	184	1,640	(629)	1,011
– Bulk earthworks (non-depreciable)	32,968	–	32,968	579	–	–	–	–	–	29,849	63,396	–	63,396
– Stormwater drainage	8,646	(2,654)	5,992	–	–	–	(71)	–	(265)	–	10,093	(4,437)	5,656
– Sewerage network	13,001	(10,952)	2,049	227	–	–	(75)	–	–	19	13,351	(11,131)	2,220
– Swimming pools	7,020	(875)	6,145	16	27	–	(206)	–	–	–	7,063	(1,081)	5,982
Other assets:													
– Library books	551	(415)	136	–	28	–	(23)	–	–	–	580	(439)	141
– Other	65	(48)	17	–	–	–	(1)	–	–	–	65	(49)	16
Reinstatement, rehabilitation and restoration assets (refer Note 17):													
– Tip assets	899	(230)	669	–	–	–	(37)	(86)	–	–	813	(267)	546
Total Infrastructure, property, plant and equipment	224,303	(59,639)	164,664	3,918	733	(347)	(2,904)	(86)	(8,287)	36,524	291,587	(97,372)	194,215

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/18			Asset movements during the reporting period							as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	1,699	(370)	1,329	452	–	–	–	(1,090)	–	–	691	–	691
Plant and equipment	6,394	(4,138)	2,256	–	439	(5)	(373)	–	–	–	6,613	(4,296)	2,317
Office equipment	1,076	(879)	197	–	34	–	(38)	–	–	–	1,111	(918)	193
Furniture and fittings	141	(108)	33	–	38	–	(7)	–	–	–	179	(115)	64
Land:													
– Operational land	1,396	–	1,396	–	11	(54)	–	–	–	–	1,353	–	1,353
– Community land	1,133	–	1,133	–	–	–	–	–	–	–	1,133	–	1,133
Infrastructure:													
– Buildings – non-specialised	11,189	(6,434)	4,755	1,631	–	–	(283)	1,090	–	–	14,281	(7,088)	7,193
– Buildings – specialised	5,088	(2,759)	2,329	8	–	–	(99)	–	–	–	5,096	(2,858)	2,238
– Other structures	2,786	(1,017)	1,769	142	–	–	(88)	–	–	–	2,928	(1,105)	1,823
– Roads	92,311	(17,979)	74,332	1,134	–	–	(1,196)	–	–	–	93,445	(19,175)	74,270
– Bridges	32,565	(7,878)	24,687	155	–	–	(256)	–	–	–	32,721	(8,135)	24,586
– Footpaths	1,569	(740)	829	33	–	–	(35)	–	–	–	1,602	(775)	827
– Bulk earthworks (non-depreciable)	32,194	–	32,194	774	–	–	–	–	–	–	32,968	–	32,968
– Stormwater drainage	8,646	(2,583)	6,063	–	–	–	(71)	–	–	–	8,646	(2,654)	5,992
– Sewerage network	12,613	(10,649)	1,964	186	–	–	(132)	–	–	31	13,001	(10,952)	2,049
– Swimming pools	6,955	(671)	6,284	65	–	–	(204)	–	–	–	7,020	(875)	6,145
Other assets:													
– Library books	492	(394)	98	–	59	–	(21)	–	–	–	551	(415)	136
– Other	65	(47)	18	–	–	–	(1)	–	–	–	65	(48)	17
Reinstatement, rehabilitation and restoration assets (refer Note 17):													
– Tip assets	696	(204)	492	–	–	–	(26)	–	203	–	899	(230)	669
Total Infrastructure, property, plant and equipment	219,008	(56,850)	162,158	4,580	581	(59)	(2,830)	–	203	31	224,303	(59,639)	164,664

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	10	Playground equipment	5 to 15
Office furniture	10	Benches, seats etc.	10 to 20
Computer equipment	10	Library Books	10
Vehicles	10		
Heavy plant/road making equipment	10	Buildings	
Other plant and equipment	10	Buildings	20 to 40
Sewer assets		Stormwater assets	
Reticulation pipes	50 to 85	RC Pipe	109
Pumps and telemetry	15 to 50	Pits	120
Treatment Works	20 to 50		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	19	Bulk earthworks	Infinite
Sealed roads: structure	160	Swimming pools	15 to 50
Unsealed roads	12	Other open space/recreational assets	10 to 80
Footpaths	95		
Kerb & Guttering	80		
Bridges	120		

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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Crown reserves

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

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

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including buildings, plant and vehicles.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
(a) Contract assets			
Other		1,195	–
Total Contract assets		1,195	–

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	1,102	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	4	–
Total grants received in advance		1,106	–
Total contract liabilities		1,106	–

Notes

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

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

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	576
Operating grants (received prior to performance obligation being satisfied)	59
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	635

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities (continued)

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases

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

(i) Council as a lessee

Council has leases over machinery and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Vehicles

Council leases an item of plant with lease terms of 5 years; the lease payments are fixed during the lease term and there is no renewal option.

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 some of the leases include variable payments based on usage.

\$ '000	Plant & Equipment	Total
(a) Right of use assets		
Opening balance at 30 June 2019	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	35	35
Depreciation charge	(9)	(9)
<u>RIGHT OF USE ASSETS at 30 JUNE 2020</u>	<u>26</u>	<u>26</u>

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	8	18
<u>TOTAL LEASE LIABILITIES at 30 June 2020</u>	<u>8</u>	<u>18</u>

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	8	18	–	26	26

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

\$ '000	2020
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(c) Income Statement

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

Interest on lease liabilities	1
Depreciation of right of use assets	9
Expenses relating to low-value leases	6
	16

(d) Statement of Cash Flows

Total cash outflow for leases	24
	24

Leases at significantly below market value – concessionary / peppercorn leases

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

- community arts centre
- railway station, used for recreation

The leases are generally varying terms and require payments of a maximum amount of \$500 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

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

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

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

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

Refer to Note 5c and Note 18.

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties community groups and for medical services; these leases have been classified as operating leases for financial reporting purposes and the assets IPP&E in the Statement of Financial Position.

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

\$ '000	2020
(i) Operating lease income	
Other lease income	
Residential Rental	11
Commercial Rental	34
Tower Rental	1
Total income relating to operating leases	46

(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	46
1–2 years	46
2–3 years	46
3–4 years	–
4–5 years	–
> 5 years	–
Total undiscounted contractual lease income receivable	138

Accounting policy

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	577	–	504	–
Accrued expenses:				
– Borrowings	42	–	–	–
– Salaries and wages	84	1	–	–
– Other expenditure accruals	–	–	206	–
Security bonds, deposits and retentions	225	–	226	–
Other	4	–	–	–
Prepaid rates	72	–	–	–
Total payables	1,004	1	936	–
Borrowings				
Loans – secured ¹	80	3,665	77	3,744
Total borrowings	80	3,665	77	3,744
TOTAL PAYABLES AND BORROWINGS	1,084	3,666	1,013	3,744

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

(a) Current payables and borrowings not anticipated to be settled within the next twelve months

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

(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	3,821	(76)	–	–	–	–	3,745
Lease liabilities	–	–	–	–	–	26	26
TOTAL	3,821	(76)	–	–	–	26	3,771

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	3,895	(74)	–	–	–	3,821
TOTAL	3,895	(74)	–	–	–	3,821

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

\$ '000	2020	2019
(c) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ¹	250	250
Credit cards/purchase cards	50	50
Total financing arrangements	300	300
Drawn facilities as at balance date:		
– Credit cards/purchase cards	12	17
Total drawn financing arrangements	12	17
Undrawn facilities as at balance date:		
– Bank overdraft facilities	250	250
– Credit cards/purchase cards	38	33
Total undrawn financing arrangements	288	283

(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 it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	696	–	685	–
Long service leave	888	37	1,014	42
Sub-total – aggregate employee benefits	1,584	37	1,699	42
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	729	–	807
Sub-total – asset remediation/restoration	–	729	–	807
<u>TOTAL PROVISIONS</u>	<u>1,584</u>	<u>766</u>	<u>1,699</u>	<u>849</u>

\$ '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	1,297	1,308
	<u>1,297</u>	<u>1,308</u>

(b) Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	807	807
Changes to provision:		
– Revised costs	(85)	(85)
Unwinding of discount	7	7
Total other provisions at end of year	729	729
2019		
At beginning of year	597	597
– Revised costs	202	202
Unwinding of discount	8	8
Total other provisions at end of year	807	807

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

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

Accounting policy for provisions

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Notes to the Financial Statements

for the year ended 30 June 2020

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Fair value through other comprehensive income reserve (FVOCI)

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

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

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

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

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

(ii) AASB 15 and AASB 1058

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

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

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

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

Principal v agent

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

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

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.

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)**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 and contract liabilities have been created.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 15	64
– Under AASB 1058	576
Total Contract liabilities	<u>640</u>

Notes to the Financial Statements

for the year ended 30 June 2020

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

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
Current assets					
Cash and cash equivalents	8,583	–	–	8,583	
Receivables ^a	604	1,195	–	1,799	
Inventories	149	–	–	149	
Contract assets ^a	1,195	(1,195)	–	–	
Total current assets	10,531	–	–	10,531	
Current liabilities					
Payables	1,004	–	–	1,004	
Contract liabilities ^b	1,106	–	(1,106)	–	
Lease liabilities	8	–	–	8	
Borrowings	80	–	–	80	
Provisions	1,584	–	–	1,584	
Total current liabilities	3,782	–	(1,106)	2,676	
Non-current assets					
Receivables	231	–	–	231	
Infrastructure, property, plant and equipment	194,215	–	–	194,215	
Right of use assets	26	–	–	26	
Investments accounted for using equity method	29,110	–	–	29,110	
Total non-current assets	223,582	–	–	223,582	
Non-current liabilities					
Payables	1	–	–	1	
Lease liabilities	18	–	–	18	
Borrowings	3,665	–	–	3,665	
Provisions	766	–	–	766	
Total Non-current liabilities	4,450	–	–	4,450	
Net assets	225,881	–	1,106	226,987	
Equity					
Accumulated surplus ^b	155,136	–	1,106	156,242	
Revaluation reserves	70,745	–	–	70,745	
Council equity interest	225,881	–	1,106	226,987	
Total equity	225,881	–	1,106	226,987	

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)

Funds under AASB 15 and AASB 1058, which have been received prior to the satisfaction of the performance obligation and operating leases now lease liabilities

- (a.) Under AASB 15 and AASB 1058 Council's rights to consideration for work completed but not yet billed at the reporting date are now classified as contract assets. These amounts will be reclassified as receivables when the rights become unconditional.
- (b.) Under AASB 15 and AASB 1058 amounts which have been received prior to the satisfaction of the performance obligation are now classified as contract liabilities.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	3,671	–	–	3,671	
User charges and fees	2,995	–	–	2,995	
Other revenues	142	–	–	142	
Grants and contributions provided for operating purposes	6,278	–	–	6,278	
Grants and contributions provided for capital purposes	2,320	–	1,102	3,422	
Interest and investment income	117	–	–	117	
Net gains from the disposal of assets	127	–	–	127	
Rental income	46	–	–	46	
Net share of interests in joint ventures and associates using the equity method	3,989	–	–	3,989	
Total Income from continuing operations	19,685	–	1,102	20,787	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	4,100	–	–	4,100	
Borrowing costs	164	–	–	164	
Materials and contracts	4,415	–	–	4,415	
Depreciation and amortisation	2,913	–	–	2,913	
Other expenses	2,202	–	–	2,202	
Total Expenses from continuing operations	13,794	–	–	13,794	
Total Operating result from continuing operations	5,891	–	1,102	6,993	
Net operating result for the year	5,891	–	1,102	6,993	
Total comprehensive income	35,156	–	1,102	36,258	

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

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	–	–	–
Total assets	198,670	–	198,670
Contract liabilities	–	640	640
Total liabilities	7,604	640	8,244
Accumulated surplus	148,739	(640)	148,099
Total equity	191,066	(640)	190,426

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)**(iii) AASB 16 Leases****Council as a lessee**

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

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

Practical expedients used on transition

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

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

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$34,540 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 4.79%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	43
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	8
Add:	
Finance lease liabilities	34
Less:	
Leases for low-value assets included in commitments note	(8)
Lease liabilities recognised at 1 July 2019	34

Council as a lessor

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	8,583	7,257
Balance as per the Statement of Cash Flows		8,583	7,257
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		5,891	3,611
Adjust for non-cash items:			
Depreciation and amortisation		2,913	2,830
Net losses/(gains) on disposal of assets		(127)	9
Non-cash capital grants and contributions		86	(203)
Adoption of AASB 15/1058		(640)	–
Unwinding of discount rates on reinstatement provisions		7	8
Share of net (profits)/losses of associates/joint ventures using the equity method		(3,989)	(357)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		980	(781)
Increase/(decrease) in provision for impairment of receivables		(1)	(48)
Decrease/(increase) in inventories		62	61
Decrease/(increase) in other current assets		–	24
Decrease/(increase) in contract assets		(1,195)	–
Increase/(decrease) in payables		73	(128)
Increase/(decrease) in accrued interest payable		42	–
Increase/(decrease) in other accrued expenses payable		(121)	(152)
Increase/(decrease) in other liabilities		75	(7)
Increase/(decrease) in contract liabilities		1,106	–
Increase/(decrease) in provision for employee benefits		(120)	139
Increase/(decrease) in other provisions		(85)	202
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		4,957	5,208
(c) Non-cash investing and financing activities			
Non Cash Movement in Garbage Tip AIFRS Asset		(86)	203
Total non-cash investing and financing activities		(86)	203

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Interests in other entities

Associates

Council has incorporated the following associates into its consolidated financial statements. Note this information is based upon financial statements for the year ended 30 June 2018 being the most recent audited financial statements available.

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2020	2019
Central Tablelands Water County Council	Associate	Equity method	29,110	24,761
Total carrying amounts – material associates			29,110	24,761

(b) Details

Principal activity	Place of business
Central Tablelands Water County Council Maintains and administers water supply schemes	Blayney

(c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019
Central Tablelands Water County Council	33%	33%	33%	33%	33%	33%

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Interests in other entities (continued)

(d) Summarised financial information for associates

\$ '000	Central Tablelands Water County Council	
	2020	2019
Statement of financial position		
Current assets		
Cash and cash equivalents	2,029	817
Other current assets	5,216	6,763
Non-current assets		
	83,110	69,618
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	497	466
Other current liabilities	1,556	986
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	962	1,455
Net assets	87,340	74,291
Reconciliation of the carrying amount		
Opening net assets (1 July)	74,291	72,645
Profit/(loss) for the period	11,967	1,070
Other comprehensive income – revaluations	1,082	576
Closing net assets	87,340	74,291
Council's share of net assets (%)	33%	33%
Council's share of net assets (\$)	29,110	24,761
Statement of comprehensive income		
Income	18,666	6,846
Interest income	195	182
Depreciation and amortisation	(2,761)	(2,111)
Interest expense	(114)	(144)
Other expenses	(4,019)	(3,703)
Profit/(loss) from continuing operations	11,967	1,070
Profit/(loss) for period	11,967	1,070
Other comprehensive income	1,082	576
Total comprehensive income	13,049	1,646
Share of income – Council (%)	33%	33%
Profit/(loss) – Council (\$)	3,989	357
Total comprehensive income – Council (\$)	4,349	549

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments

\$ '000	2020	2019
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Sewerage treatment works	11,504	–
Total commitments	11,504	–
These expenditures are payable as follows:		
Within the next year	11,504	–
Total payable	11,504	–
Sources for funding of capital commitments:		
Future grants and contributions	11,274	–
Externally restricted reserves	230	–
Total sources of funding	11,504	–
Details of capital commitments		
Nil		

\$ '000	2020	2019
(b) Non-cancellable operating lease commitments (2019 only)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	–	10
Later than one year and not later than 5 years	–	33
Total non-cancellable operating lease commitments	–	43

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

Refer to Note 15 for information relating to leases for 2020.

Council leases a Vemeer Chipper. The lease was taken out in 2019 for 60 months and has 18 payments remaining.

Conditions relating to finance and operating leases:

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

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

Description of the funding arrangements.

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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 \$ 108,417. The last valuation of the Scheme was performed by Richard Boyfield, FIAA as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$66,500. Council's expected contribution to the plan for the next annual reporting period is \$92,204.

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

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

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

Based on a Past Service Liabilities methodology the share of this deficit that can be attributed to Council is 0.17%.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

(iii) Rural Fire Service Assets

Throughout the shire there are numerous rural fire appliances and associated rural fire fighting equipment.

These assets are under the control of the Rural Fire Services to enable that Department to provide bushfire protection defences set out in their Service Level Agreement with Council. As Council does not have control over these assets Council does not recognise these as assets in our financial statements.

In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management

Risk management

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

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

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	60	60	(60)	(60)
2019				
Possible impact of a 1% movement in interest rates	65	65	(65)	(65)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

(b) Credit risk

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

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

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.

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

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

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	86	148	13	28	12	287
2019						
Gross carrying amount	11	131	10	30	9	191

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	356	135	1	–	86	578
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	5.80%	0.86%
ECL provision	–	–	–	–	5	5
2019						
Gross carrying amount	1,176	166	32	32	68	1,474
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	7.30%	0.34%
ECL provision	–	–	–	–	5	5

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	225	708	–	–	933	933
Loans and advances	4.13%	–	233	932	5,250	6,415	3,745
Total financial liabilities		225	941	932	5,250	7,348	4,678
2019							
Trade/other payables	0.00%	226	710	–	–	936	936
Loans and advances	4.13%	–	233	932	5,250	6,415	3,821
Total financial liabilities		226	943	932	5,250	7,351	4,757

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

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

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
User charges and fees	2,298	2,995	697	30% F
Council received additional income from Roads and Maritime Services for works on state roads.				
Other revenues	119	142	23	19% F
Council received additional agency fees of \$48,000.				
Interest and investment revenue	149	117	(32)	(21)% U
Interest income was down due to the continued fall in interest rates.				
Net gains from disposal of assets	180	127	(53)	(29)% U
Council sold some land in the industrial estate which was not anticipated when the original budget was adopted.				
EXPENSES				
Materials and contracts	2,834	4,415	(1,581)	(56)% U
Materials & contracts were higher than budget due to additional works on state roads for Roads and Maritime Services.				
Depreciation and amortisation	2,616	2,913	(297)	(11)% U
Depreciation expense was over budget due to the construction of new assets including the medical centre.				
Other expenses	1,041	2,202	(1,161)	(112)% U
Other expenses were up due to a significant increase in the Emergency Service Levy and also an increase in donations to support a community based Drought Communities Program project.				
STATEMENT OF CASH FLOWS				
Cash flows from investing activities	(7,347)	(3,546)	3,801	(52)% F

Councils capital expenditure program was not achieved due to a delay in commencement of a number of projects.

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

Note 22. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets

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	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/20	–	–	2,168	2,168
Office equipment	30/06/20	–	–	220	220
Furniture and fittings	30/06/20	–	–	57	57
Operational land	30/06/18	–	–	1,353	1,353
Community land	30/06/18	–	–	1,133	1,133
Buildings – non specialised	30/06/18	–	–	6,905	6,905
Buildings – specialised	30/06/18	–	–	3,512	3,512
Other structures	30/06/16	–	–	1,940	1,940
Roads	30/06/20	–	–	65,701	65,701
Bridges	30/06/20	–	–	31,066	31,066
Footpaths	30/06/20	–	–	1,011	1,011
Bulk earthworks	30/06/20	–	–	63,396	63,396
Stormwater drainage	30/06/20	–	–	5,656	5,656
Sewerage network	30/06/17	–	–	2,220	2,220
Swimming pools	30/06/18	–	–	5,982	5,982
Library books	30/06/20	–	–	141	141
Other assets	30/06/16	–	–	16	16
Reinstatement tip assets	30/06/20	–	–	546	546
Work in Progress	30/06/20	–	–	1,192	1,192
Total infrastructure, property, plant and equipment		–	–	194,215	194,215

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total	
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs		
Recurring fair value measurements						
Financial assets						
	– ‘Financial assets at fair value through other comprehensive income’	30/06/19	–	118	–	118
	Total financial assets		–	118	–	118
Infrastructure, property, plant and equipment						
	Plant and equipment	30/06/19	–	–	2,317	2,317
	Office equipment	30/06/19	–	–	193	193
	Furniture and fittings	30/06/19	–	–	64	64
	Operational land	30/06/18	–	–	1,353	1,353
	Community land	30/06/18	–	–	1,133	1,133
	Buildings – non specialised	30/06/18	–	–	7,193	7,193
	Buildings – specialised	30/06/18	–	–	2,238	2,238
	Other structures	30/06/16	–	–	1,823	1,823
	Roads	30/06/15	–	–	74,270	74,270
	Bridges	30/06/15	–	–	24,586	24,586
	Footpaths	30/06/15	–	–	827	827
	Bulk earthworks	30/06/15	–	–	32,968	32,968
	Stormwater drainage	01/07/15	–	–	5,992	5,992
	Sewerage network	30/06/17	–	–	2,049	2,049
	Swimming pools	30/06/16	–	–	6,145	6,145
	Library books	30/06/19	–	–	136	136
	Other assets	30/06/16	–	–	17	17
	Reinstatement tip assets	30/06/19	–	–	669	669
	Work in Progress	30/06/19	–	–	691	691
	Total infrastructure, property, plant and equipment		–	–	164,664	164,664

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

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

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

Infrastructure, property, plant and equipment (IPP&E)**Plant & Equipment, Office Equipment and Furniture & Fittings**

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks etc.

There has been no change to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Operational & Community Land

The valuation of Council's operational land was undertaken at 30 June 2018 by AssetVal Pty Ltd with the direct comparison method.

Community land values are based on the Land Value provided by the Valuer-General as these are considered representative of the actual market values in the Weddin Shire LGA.

Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Buildings Non Specialised & Specialised

The valuation of Council's Buildings – Non-Specialised & Specialised was undertaken at 30 June 2018 by AssetVal Pty Ltd cost approach to determine Depreciated Replacement Cost.

Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Other Structures

Other Structures were valued by Scott Fullarton Valuations Pty Ltd as at 30 June 2016. Examples of assets within this class are fencing, lighting, playground equipment etc. Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Roads

Roads comprise road carriageway, roadside shoulders & kerb & gutter. The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken by Shepherd Asset Management Services as at 30 June 2020 based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There has been no change to the valuation process during the reporting period.

Bridges

The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken by Shepherd Asset Management Services as at 30 June 2020 based on actual costs and assumptions from Council's Engineering Department. While all bridges were physically inspected and unit rates based on square metres were other inputs (such as estimates of residual value and pattern of consumption) require extensive professional judgement that impacts significantly on the final determination of fair value. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There has been no change to the valuation process during the reporting period.

Footpaths

The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken by Shepherd Asset Management Services as at 30 June 2020 based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There has been no change to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Bulk Earthworks

The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken by Shepherd Asset Management Services as at 30 June 2020 based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There has been no change to the valuation process during the reporting period.

Storm Water Drainage

Assets within this class comprise pits and pipes.

The 'Cost 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. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

These assets were valued by Shepherd Asset Management Services as at 30 June 2020.

Sewerage Network

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

The 'Cost 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. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long-lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Department of Primary Industries Water.

There has been no change to the valuation process during the reporting period.

Swimming Pools

Other Structures including Swimming Pools were valued by Scott Fullarton Valuations Pty Ltd as at 30 June 2016.

Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Library Books

Library Books were valued using the cost approach. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. No market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Other Assets

This asset class relates to the town clock which was valued by Scott Fullarton Valuations Pty Ltd as at 30 June 2016.

Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Reinstatement Tip Assets

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications.

It has been recognised that there will be significant costs associated with the closure and post closure management of tip/landfill sites. Closure of the landfill sites will involve a wide range of activities including final capping of the landfill waste and site re-vegetation, monitoring of landfill gas, revision of the surface water management system and leachate management infrastructure to suit post-closure operation.

Valuations are based on actual timing of costs and future management requirements.

(3) Fair value measurements using significant unobservable inputs (level 3)**a. The following tables present the changes in level 3 fair value asset classes.**

\$ '000	Total IPP&E
2019	
Opening balance	162,158
Purchases (GBV)	5,161
Disposals (WDV)	(59)
Depreciation and impairment	(2,830)
FV gains – other comprehensive income	31
Other movement - Adjustments & Transfers	203
Closing balance	164,664
2020	
Opening balance	164,664
Purchases (GBV)	4,651
Disposals (WDV)	(347)
Depreciation and impairment	(2,904)
FV gains – other comprehensive income	28,237
Other movement - Adjustments & Transfers	(86)
Closing balance	194,215

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

No transfers were made in or out of the Level 3 Fair value Hierarchy

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant, equipment, furniture, fittings and office equipment	2,459	Refer to Note 19 (3) above	Current replacement cost of modern equivalent, asset condition, useful life, increase/decrease in cost of unit or useful life
Operational land	1,353	Refer to Note 19 (3) above	Land value, land area, price per square metre
Community land	1,133	Refer to Note 19 (3) above	Land value, land area, restrictions
Buildings	10,313	Refer to Note 19 (3) above	Current replacement cost of modern equivalent using componentisation, asset condition, remaining useful lives
Roads, Bridges, Footpaths, Earthworks	161,174	Refer to Note 19 (3) above	Asset condition, remaining useful lives using componentisation, increase/decrease in cost of unit
Other Structures, Pools, Library Assets, Town Clock, Work in Progress	9,271	Refer to Note 19 (3) above	Asset condition, remaining useful lives using componentisation, increase/decrease in cost of unit
Drainage Network	5,656	Refer to Note 19 (3) above	Asset condition, remaining lives, increase/decrease in cost of unit
Sewerage Network	2,324	Refer to Note 19 (3) above	Asset condition, remaining useful lives using componentisation, increase/decrease in cost of unit
Reinstatement Tip Assets	546	Refer to Note 19 (3) above	Environmental legislation, timing of expected cash outflows, asset condition, increase/decrease in cost of unit

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	869	751
Other long-term benefits	82	101
Total	951	852

(b) Other transactions with KMP and their related parties

With the exception of the purchase of water from Central Tablelands Water 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. Further information in relation to transactions with Central Tablelands Water is disclosed below.

2020

Council has significant influence over Central Tablelands Water as it retains 33.33% of it's voting power. During the financial year transactions totalling \$87,435.25 were undertaken with Central Tablelands Water for the purchase of water. These transactions were undertaken on the same terms and conditions as those offered to the General Public.

2019

Council has significant influence over Central Tablelands Water as it retains 33.33% of it's voting power. During the financial year transactions totalling \$86,000.47 were undertaken with Central Tablelands Water for the purchase of water. These transactions were undertaken on the same terms and conditions as those offered to the General Public.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
S64 contributions	183	15	–	2	–	–	200	–
Total contributions	183	15	–	2	–	–	200	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund

\$ '000	General ¹ 2020	Sewer 2020
Income Statement by fund		
Income from continuing operations		
Rates and annual charges	3,152	519
User charges and fees	2,973	22
Interest and investment revenue	112	5
Other revenues	142	–
Grants and contributions provided for operating purposes	6,278	–
Grants and contributions provided for capital purposes	1,771	549
Net gains from disposal of assets	127	–
Rental income	46	–
Share of interests in joint ventures and associates using the equity method	3,989	–
Total income from continuing operations	18,590	1,095
Expenses from continuing operations		
Employee benefits and on-costs	3,881	219
Borrowing costs	164	–
Materials and contracts	4,350	65
Depreciation and amortisation	2,838	75
Other expenses	2,177	25
Total expenses from continuing operations	13,410	384
Operating result from continuing operations	5,180	711
Net operating result for the year	5,180	711
Net operating result attributable to each council fund	5,180	711
Net operating result for the year before grants and contributions provided for capital purposes	3,409	162

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund (continued)

\$ '000	General ¹ 2020	Sewer 2020
Statement of Financial Position by fund		
ASSETS		
Current assets		
Cash and cash equivalents	7,200	1,383
Receivables	557	47
Inventories	149	–
Contract assets	1,195	–
Total current assets	9,101	1,430
Non-current assets		
Receivables	231	–
Infrastructure, property, plant and equipment	190,630	3,585
Investments accounted for using the equity method	29,110	–
Right of use assets	26	–
Total non-current assets	219,997	3,585
TOTAL ASSETS	229,098	5,015
LIABILITIES		
Current liabilities		
Payables	1,004	–
Contract liabilities	504	602
Lease liabilities	8	–
Borrowings	80	–
Provisions	1,553	31
Total current liabilities	3,149	633
Non-current liabilities		
Payables	1	–
Lease liabilities	18	–
Borrowings	3,665	–
Provisions	766	–
Total non-current liabilities	4,450	–
TOTAL LIABILITIES	7,599	633
Net assets	221,499	4,382
EQUITY		
Accumulated surplus	151,340	3,796
Revaluation reserves	70,159	586
Council equity interest	221,499	4,382
Total equity	221,499	4,382

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(545)	(4.11)%	(4.03)%	(11.12)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	13,249				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	6,971	44.77%	46.86%	45.59%	>60.00%
Total continuing operating revenue ¹	15,569				
3. Unrestricted current ratio					
Current assets less all external restrictions	8,508	6.32x	5.38x	4.09x	>1.50x
Current liabilities less specific purpose liabilities	1,347				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2,532	10.17x	10.58x	5.91x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	249				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	264	6.83%	4.44%	5.44%	<10.00%
Rates, annual and extra charges collectible	3,866				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	8,583	8.50	9.12	7.10	>3.00
Monthly payments from cash flow of operating and financing activities	1,009	mths	mths	mths	mths

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General Indicators ³		Sewer Indicators		Benchmark
	2020	2019	2020	2019	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}					
Total continuing operating revenue excluding capital grants and contributions ¹	(5.57)%	(4.71)%	29.67%	9.09%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding capital grants and contributions ¹					
Total continuing operating revenue ¹	44.39%	45.53%	49.86%	70.88%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions					
Current liabilities less specific purpose liabilities	6.32x	5.38x	20.26x	21.59x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹					
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	9.22x	9.81x	∞	∞	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding					
Rates, annual and extra charges collectible	6.57%	3.92%	8.33%	7.47%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits					
Payments from cash flow of operating and financing activities	7.32 mths	8.54 mths	53.71 mths	23.84 mths	>3.00 mths

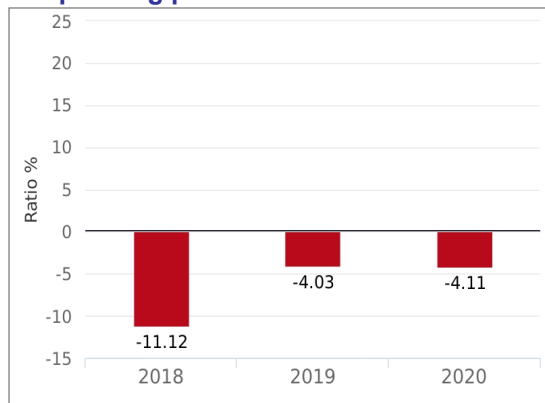
(1) - (2) Refer to Notes at Note 31a above.

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

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

Note 26(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2019/20 result

2019/20 ratio (4.11)%

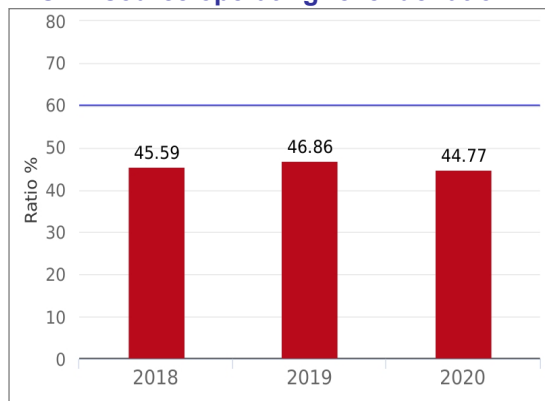
Council's operating performance ratio has deteriorated slightly however Council continues to review its operations in order to improve sustainability and its operating position over the long term.

Benchmark: — > 0.00%

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

Ratio achieves benchmark
Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2019/20 result

2019/20 ratio 44.77%

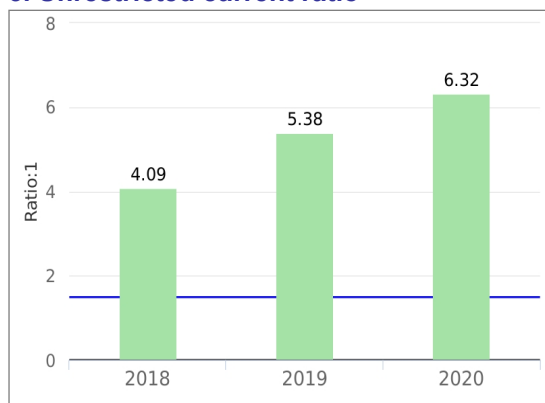
The own source operating revenue ratio has been impacted by additional grants made available by the State Government under the Stronger Country Communities Program and Commonwealth Government Drought Program.

Benchmark: — > 60.00%

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

Ratio achieves benchmark
Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2019/20 result

2019/20 ratio 6.32x

This ratio remains above the benchmark and indicates that Council has adequate capacity to meet its obligations

Benchmark: — > 1.50x

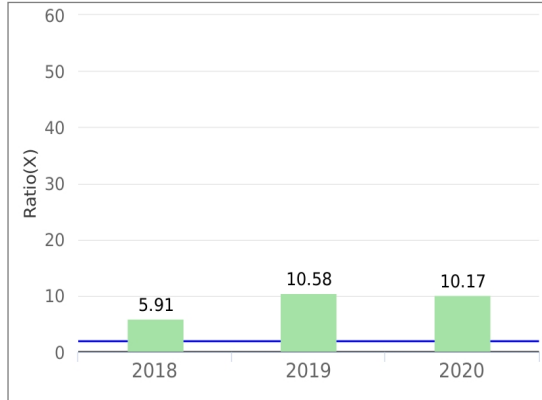
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark
Ratio is outside benchmark

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

Note 26(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2019/20 result

2019/20 ratio 10.17x

This ratio remains above the benchmark and indicates that Council has adequate capacity to meet its obligations.

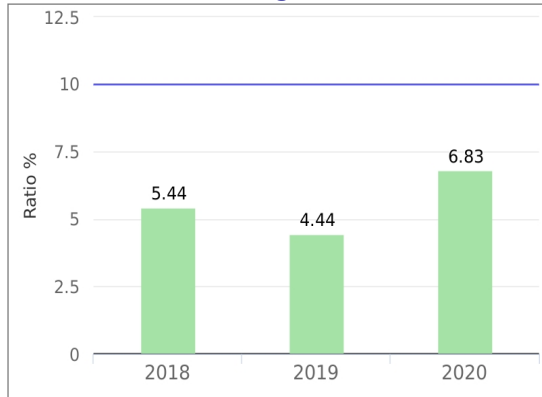
Benchmark: — > 2.00x

Ratio achieves benchmark

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

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 6.83%

Rates and charges outstanding has increased in 2020 due to a change in accounting standards where overpaid rates must now be included as a liability. The ratio is still well below the benchmark despite the difficult conditions faced by rural communities over the past years.

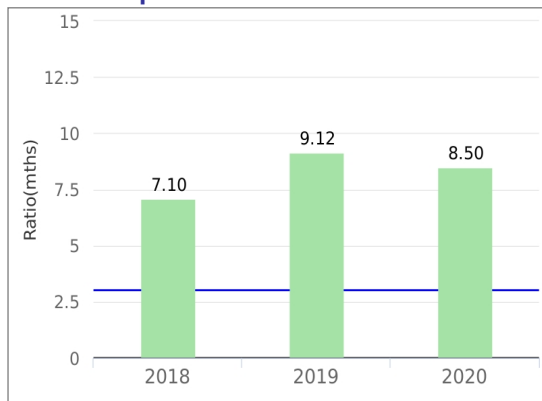
Benchmark: — < 10.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 8.50 mths

Council continues to maintain healthy cash levels which are sufficient to meet its expenses. The current level shows that council can meet its expenses for 9.3 months without additional cash in flow.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Council information and contact details

Principal place of business:

Corner of Camp & Weddin Streets
Grenfell NSW 2810

Contact details

Mailing Address:

PO Box 125
GRENFELL NSW 2810

Telephone: 02 6343 1212

Facsimile: 02 6343 1203

Opening hours:

8.30 am - 4.00 pm Monday - Friday
Grenfell Waste Depot:
Tue, Thurs, Sat, Sun: 10.00 am - 4.00 pm

Internet: www.weddin.nsw.gov.au

Email: mail@weddin.nsw.gov.au

Officers

General Manager

Glenn Carroll

Responsible Accounting Officer

Lachlan Gibson

Public Officer

Lachlan Gibson

Auditors

Audit Office of NSW
GPO Box 12
Sydney NSW 2001

Elected members

Mayor

Cr Mark Liebich

Councillors

Cr Paul Best - Deputy Mayor
Cr Craig Bembrick
Cr Carly Brown
Cr Phillip Diprose
Cr Stuart McKellar
Cr John Niven
Cr Stephen O'Bryne
Cr Jan Parlett

Other information

ABN: 73 819 323 291



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Weddin Shire Council

To the Councillors of Weddin Shire Council

Opinion

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

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

4 November 2020
SYDNEY



Councillor Mark Liebich
 Mayor
 Weddin Shire Council
 PO Box 125
 GRENFELL NSW 2810

Contact: Karen Taylor
 Phone no: 02 9275 7311
 Our ref: D2025782/1805

4 November 2020

Dear Mayor

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




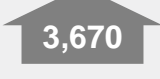
I have audited the general purpose financial statements (GPFS) of the Weddin Shire Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	3.67	3.61	 1.7
Grants and contributions revenue	8.60	7.87	 9.3
Operating result from continuing operations	5.89	3.61	 63.2
Net operating result before capital grants and contributions	3.57	(0.10)	 3,670

The Council's operating result from continuing operations (\$5.9 million including depreciation and amortisation expense of \$2.9 million) was \$2.3 million higher than the 2018–19 result.

The net operating result before capital grants and contributions (\$3.6 million) was \$3.7 million higher than the 2018–19 result (\$0.10 mill deficit).

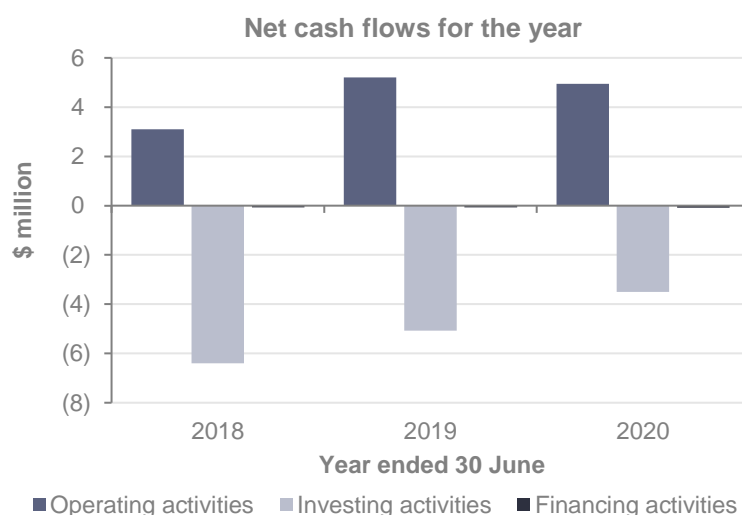
Rates and annual charges revenue (\$3.7 million) was relatively consistent with previous year.

Grants and contributions revenue (\$8.6 million) increased by \$0.7 million in 2019–20, which was the combined effect of a \$2.1 million increase in operating grants and contributions offset by a \$1.4 million decrease in capital grants and contributions. Grants and contributions received during the year included:

- recognition of \$1.0 million of operating grants received under the Drought Communities Programme
- recognition of a total of \$1.4 million of capital grants received under the Stronger Country Communities Programme.

STATEMENT OF CASH FLOWS

The increase in payments for materials and contracts was the main contributor to the decrease in cash flows from operating activities over the prior year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	1.94	1.53	Externally restricted balances included unexpended grants and developer contributions, and sewer.
Internal restrictions	4.61	3.99	
Unrestricted	2.03	1.85	Balances are internally restricted due to Council policy or decisions for forward plans including work programs.
Cash and investments	8.58	7.37	Unrestricted balances provide liquidity for day-to-day operations.

Debt

At 30 June 2020, Council had external borrowings of \$3.7 million (2019: \$3.8 million). The loans are secured against Council's general rating income.

Council has an approved overdraft facility of \$250,000 and an approved credit card facility of \$50,000. At 30 June 2020, Council had utilised \$12,000 of its approved credit card facility and none of its approved overdraft facility.

PERFORMANCE

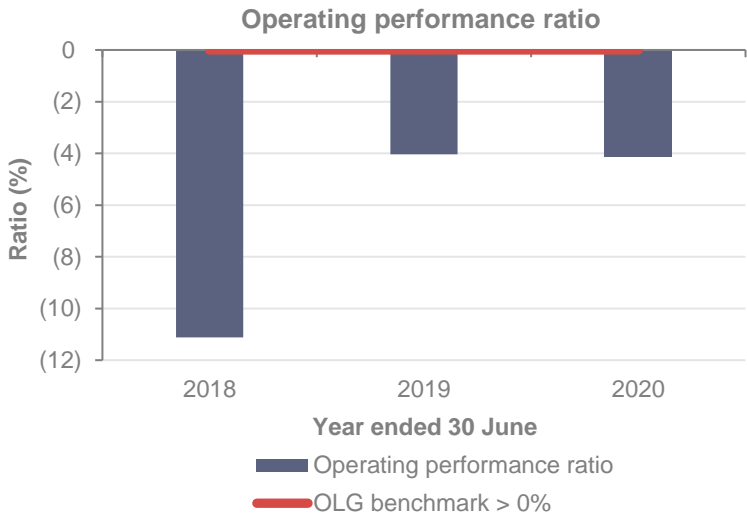
Performance measures

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

Operating performance ratio

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

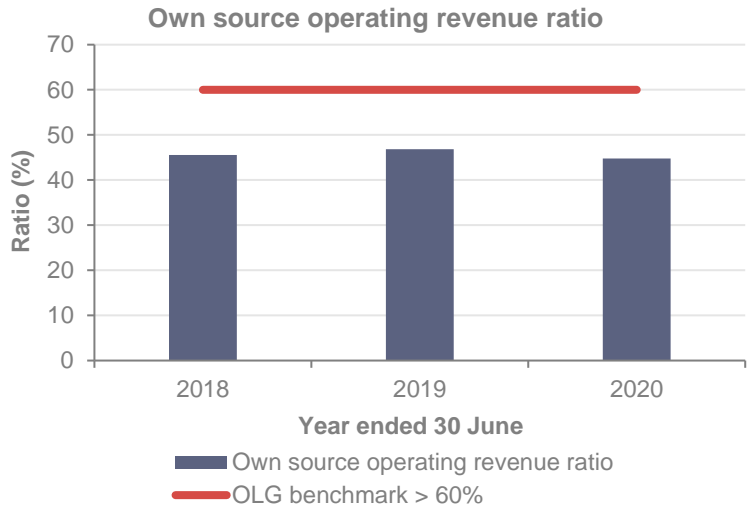
Council’s result is indicative of the extent to which capital grants and contributions supplement Council’s operations.



Own source operating revenue ratio

The ‘own source operating revenue ratio’ measures council’s fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

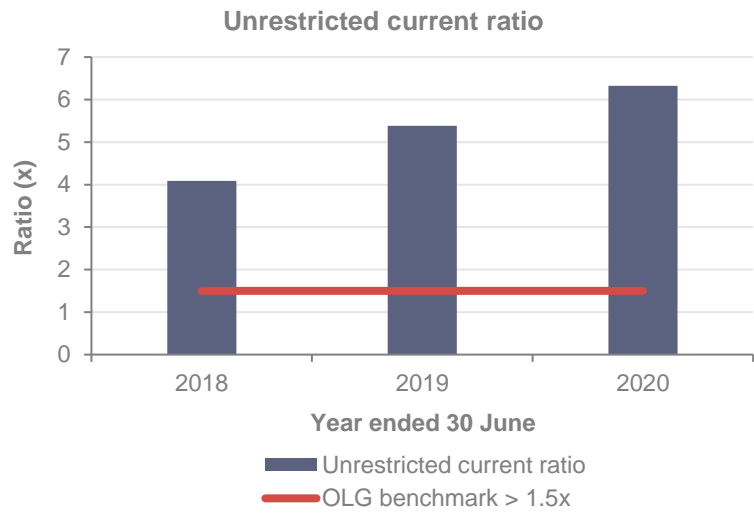
The proportionately high level of grants and contributions received by Councils, has seen this ratio continue to remain below the benchmark. Council’s own source revenue has remained consistent over the last three years.



Unrestricted current ratio

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

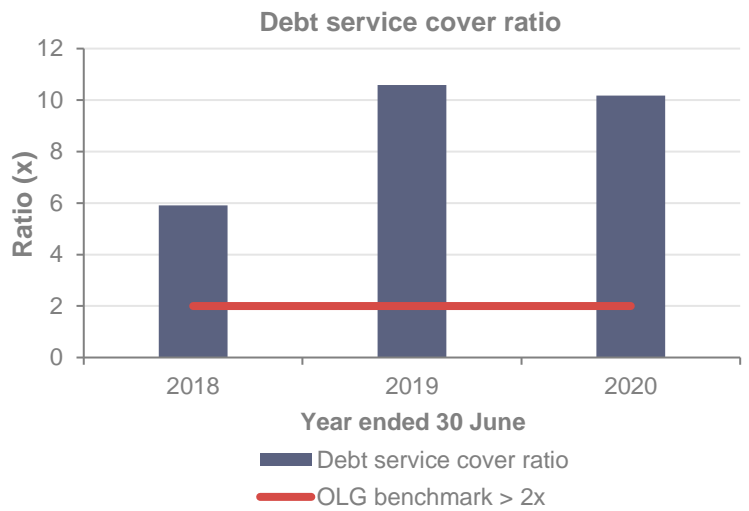
The Council continued to exceed the OLG benchmark.



Debt service cover ratio

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

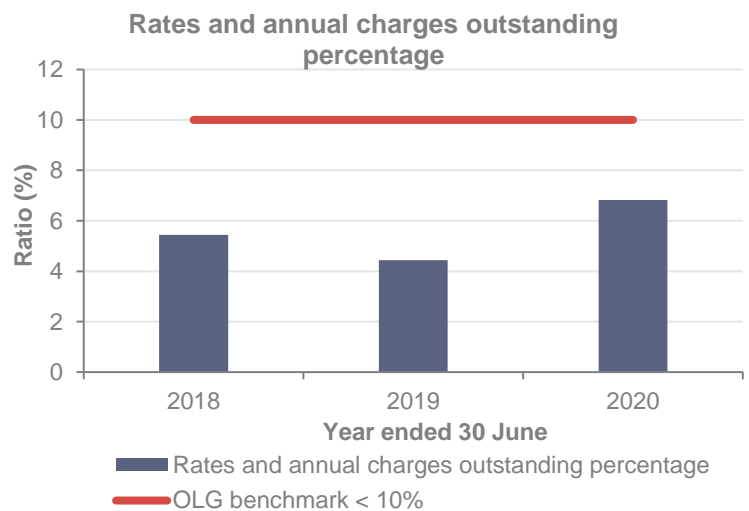
The Council continued to exceed the OLG benchmark.



Rates and annual charges outstanding per centage

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

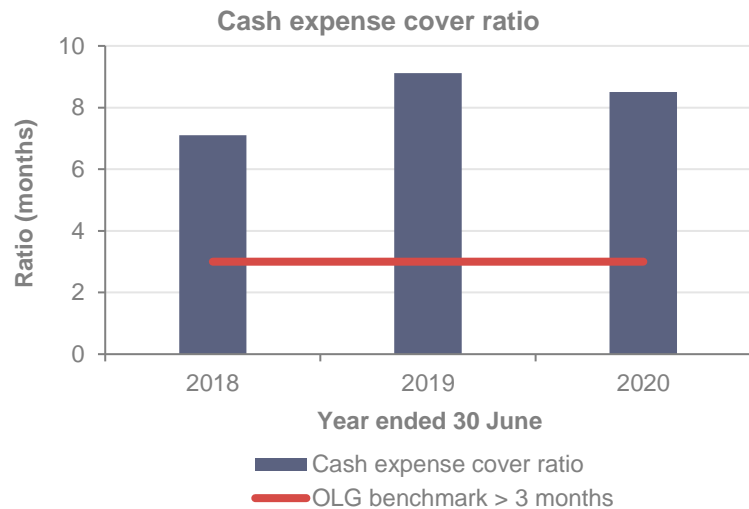
Council's rates and annual charges outstanding ratio exceeded the benchmark for rural councils over the past three years. For 2020, this ratio has been impacted by the first-time adoption of new revenue standards, where prepaid rates were recognised as a liability compared to prior years being a reduction in rates and annual charges receivable.



Cash expense cover ratio

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

The Council exceeded the OLG benchmark for the current reporting period.



Infrastructure, property, plant and equipment renewals

Council has renewed \$3.9 million of assets in the 2019–20 year compared to \$4.6 million in the 2018–19 year. There was higher level of expenditure for roads infrastructure in the prior year.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

The Council recognised a \$0.6 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

AASB 16 'Leases'

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

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

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

The Council recognised right-of-use assets of \$34,540 and lease liabilities of \$34,540 at 1 July 2019 on adoption of AASB 16.

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

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial statements. The Council's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Weddin Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



Special Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
Statement by Councillors & Management	3
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Income Statement – Water Supply Business Activity	n/a
Income Statement – Sewerage Business Activity	4
Statement of Financial Position – Water Supply Business Activity	n/a
Statement of Financial Position – Sewerage Business Activity	5
Statement of Financial Position –	n/a
Note 1 – Significant Accounting Policies	6
Auditor's Report on Special Purpose Financial Statements	9

Background

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

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

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

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

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

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 17 September 2020.



Cr Mark Liebich
Mayor
17 September 2020



Cr Paul Best
Councillor
17 September 2020



Glenn Carroll
General Manager
17 September 2020



Lachlan Gibson
Responsible Accounting Officer
17 September 2020

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	519	519
User charges	22	22
Fees	–	2
Interest	5	7
Total income from continuing operations	546	550
Expenses from continuing operations		
Employee benefits and on-costs	219	268
Materials and contracts	65	79
Depreciation, amortisation and impairment	75	136
Other expenses	25	17
Total expenses from continuing operations	384	500
Surplus (deficit) from continuing operations before capital amounts	162	50
Grants and contributions provided for capital purposes	549	226
Surplus (deficit) from continuing operations after capital amounts	711	276
Surplus (deficit) from all operations before tax	711	276
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(45)	(14)
SURPLUS (DEFICIT) AFTER TAX	666	262
Plus accumulated surplus	3,085	2,809
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	45	14
Closing accumulated surplus	3,796	3,085
Return on capital %	4.5%	1.7%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	666	262
Less: capital grants and contributions (excluding developer contributions)	(549)	(226)
Surplus for dividend calculation purposes	117	36
Potential dividend calculated from surplus	59	18

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	1,383	723
Receivables	47	43
Total current assets	1,430	766
Non-current assets		
Infrastructure, property, plant and equipment	3,585	2,913
Total non-current assets	3,585	2,913
TOTAL ASSETS	5,015	3,679
LIABILITIES		
Current liabilities		
Contract liabilities	602	–
Provisions	31	27
Total current liabilities	633	27
TOTAL LIABILITIES	633	27
NET ASSETS	4,382	3,652
EQUITY		
Accumulated surplus	3,796	3,085
Revaluation reserves	586	567
TOTAL EQUITY	4,382	3,652

Weddin Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

Nil

Category 2

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

a. Grenfell Sewerage Service

Comprising the whole of the operations & net assets of the sewerage reticulation & treatment system servicing the town of Grenfell.

Monetary amounts

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

(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 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.

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

Note 1. Significant Accounting Policies (continued)

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Weddin Shire Council

To the Councillors of Weddin Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in blue ink that reads "Karen Taylor". The signature is written in a cursive, flowing style.

Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

4 November 2020
SYDNEY

Weddin Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	2,835	2,766
Plus or minus adjustments ²	b	(7)	5
Notional general income	c = a + b	2,828	2,771
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	74	75
Sub-total	k = (c + g + h + i + j)	2,902	2,846
Plus (or minus) last year's carry forward total	l	15	4
Sub-total	n = (l + m)	15	4
Total permissible income	o = k + n	2,917	2,850
Less notional general income yield	p	2,902	2,835
Catch-up or (excess) result	q = o - p	14	15
Carry forward to next year ⁶	t = q + r + s	14	15

Notes

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



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

To the Councillors of Weddin Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

4 November 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a \$ '000	2019/20 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Council Offices	–	–	5	48	442	2,110	0.0%	0.0%	100.0%	0.0%	0.0%
	Council Works Depot	–	–	13	24	2,069	2,620	100.0%	0.0%	0.0%	0.0%	0.0%
	Council Houses	–	–	12	19	761	1,110	28.8%	37.8%	33.4%	0.0%	0.0%
	Museum	–	–	1	2	341	722	0.0%	0.0%	100.0%	0.0%	0.0%
	Community Arts Centre	–	–	2	5	346	2,028	0.0%	0.0%	100.0%	0.0%	0.0%
	Library	–	–	2	25	837	1,674	0.0%	100.0%	0.0%	0.0%	0.0%
	Caravan Park	–	–	5	6	224	535	0.0%	19.6%	80.4%	0.0%	0.0%
	Medical Centres	–	–	4	31	2,869	4,324	71.3%	10.2%	18.5%	0.0%	0.0%
	Bank CTC Building	–	–	1	7	235	1,733	0.0%	0.0%	100.0%	0.0%	0.0%
	Emergency Services	–	–	2	3	61	134	0.0%	0.0%	100.0%	0.0%	0.0%
	Amenities/Sportsground	–	–	20	47	2,232	3,225	70.5%	0.0%	29.5%	0.0%	0.0%
	Sub-total	–	–	67	217	10,417	20,215	41.0%	13.1%	45.9%	0.0%	0.0%
Other structures	Other structures	–	–	19	72	1,940	3,141	27.5%	32.6%	39.5%	0.2%	0.2%
	Sub-total	–	–	19	72	1,940	3,141	27.5%	32.6%	39.5%	0.2%	0.2%
Roads	Sealed Roads Surface	1,179	1,179	161	179	11,711	18,610	47.0%	18.4%	8.9%	12.6%	13.1%
	Sealed Roads Structure	656	656	311	345	47,219	86,889	45.9%	39.7%	11.3%	2.9%	0.3%
	Unsealed roads	540	540	420	645	3,426	4,291	77.7%	4.5%	4.7%	3.1%	10.0%
	Bridges	542	542	58	65	18,207	23,052	36.1%	56.5%	3.2%	3.6%	0.6%
	Footpaths	8	8	4	2	1,011	1,640	20.1%	37.3%	23.8%	11.9%	7.0%
	Kerb & Gutter	29	29	15	2	3,083	5,693	4.0%	28.8%	52.7%	11.0%	3.5%
	Other road assets	590	590	54	19	13,121	21,581	9.1%	49.4%	25.6%	10.5%	5.5%
	Bulk earthworks	–	–	–	–	63,396	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	3,544	3,544	1,023	1,257	161,174	161,756	38.8%	39.6%	13.2%	5.5%	2.9%
Sewerage network	Mains	–	–	37	68	2,220	9,661	0.0%	0.0%	100.0%	0.0%	0.0%
	Treatment Works	–	–	140	98	–	3,653	0.0%	0.0%	0.0%	100.0%	0.0%
	Recycling System	–	–	–	–	–	37	0.0%	0.0%	0.0%	100.0%	0.0%
	Sub-total	–	–	177	166	2,220	13,351	0.0%	0.0%	72.4%	27.6%	0.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Stormwater drainage	Other	–	–	26	86	5,656	10,093	3.2%	46.1%	32.1%	9.6%	9.0%	
	Sub-total	–	–	26	86	5,656	10,093	3.2%	46.1%	32.1%	9.6%	9.0%	
Open space / recreational assets	Swimming pools	–	–	60	105	5,982	7,063	87.8%	0.0%	12.2%	0.0%	0.0%	
	Sub-total	–	–	60	105	5,982	7,063	87.8%	0.0%	12.2%	0.0%	0.0%	
	TOTAL - ALL ASSETS	3,544	3,544	1,372	1,903	187,389	215,619	36.4%	33.5%	21.2%	6.3%	2.6%	

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	3,917	163.89%	174.62%	225.34%	>=100.00%
Depreciation, amortisation and impairment	2,390				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	3,544	1.89%	1.65%	1.68%	<2.00%
Net carrying amount of infrastructure assets	187,389				
Asset maintenance ratio					
Actual asset maintenance	1,903	138.70%	173.70%	101.70%	>100.00%
Required asset maintenance	1,372				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	3,544	1.64%	1.50%	1.25%	
Gross replacement cost	215,619				

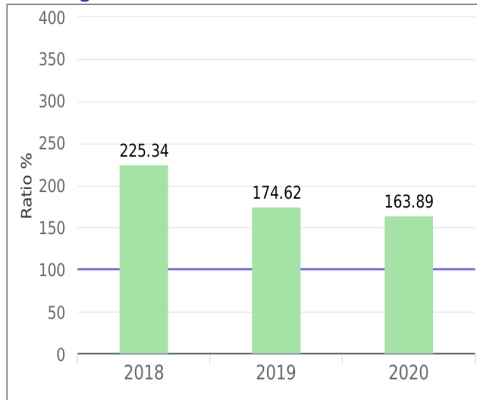
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

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

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result	
19/20 ratio	163.89%

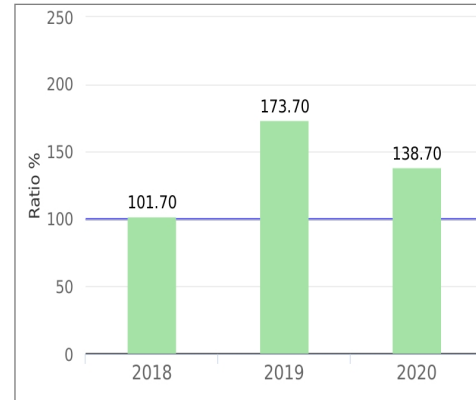
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result	
19/20 ratio	138.70%

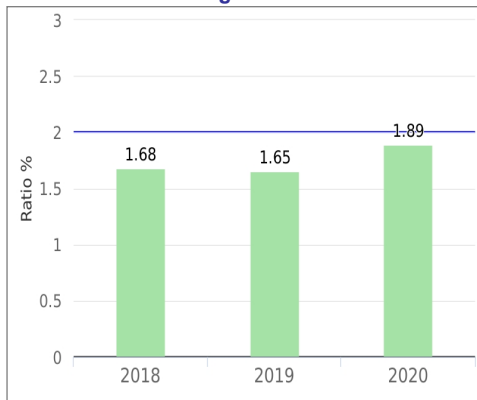
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result	
19/20 ratio	1.89%

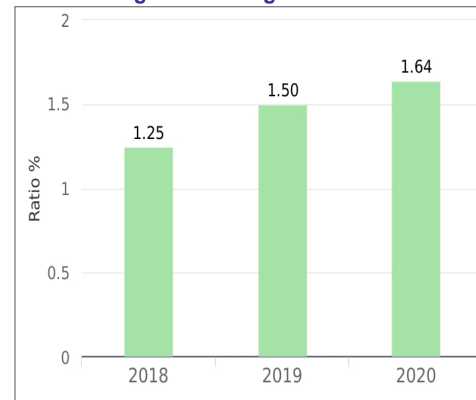
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result	
19/20 ratio	1.64%

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Sewer fund		Benchmark
	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²					
Depreciation, amortisation and impairment	137.75%	156.36%	970.67%	483.33%	>=100.00%
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard					
Net carrying amount of infrastructure assets	1.91%	1.07%	0.00%	45.49%	<2.00%
Asset maintenance ratio					
Actual asset maintenance					
Required asset maintenance	145.36%	190.80%	93.79%	43.50%	>100.00%
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council					
Gross replacement cost	1.75%	1.01%	0.00%	7.78%	

(1) Excludes Work In Progress (WIP)

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