

# Coonamble Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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# Coonamble Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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**COONAMBLE**  
SHIRE COUNCIL

# General Purpose Financial Statements

for the year ended 30 June 2020

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## General Purpose Financial Statements

for the year ended 30 June 2020

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

## Coonamble Shire Council

### 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 09 September 2020.



**Al Karanouh**  
**Mayor**  
09 September 2020



**Bill Fisher**  
**Councillor**  
09 September 2020



**Hein Basson**  
**General Manager**  
09 September 2020



**Bruce Quarmby**  
**Responsible Accounting Officer**  
09 September 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020 \$ '000		Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
<b>Income from continuing operations</b>				
6,501	Rates and annual charges	3a	6,519	6,314
6,432	User charges and fees	3b	4,152	5,267
800	Other revenues	3c	743	1,103
6,033	Grants and contributions provided for operating purposes	3d,3e	7,708	8,535
–	Grants and contributions provided for capital purposes	3d,3e	2,785	4,365
717	Interest and investment income	4	433	762
145	Rental income	12e	145	–
–	Net share of interests in joint ventures and associates using the equity method	17	9	–
<b>20,628</b>	<b>Total income from continuing operations</b>		<b>22,494</b>	<b>26,346</b>
<b>Expenses from continuing operations</b>				
7,967	Employee benefits and on-costs	5a	8,045	7,708
4	Borrowing costs	5b	4	5
3,090	Materials and contracts	5c	4,262	4,438
5,428	Depreciation and amortisation	5d	6,720	5,747
–	Impairment of other assets	5d	25	–
3,152	Other expenses	5e	3,047	2,881
–	Net losses from the disposal of assets	6	95	100
–	Net share of interests in joint ventures and associates using the equity method	17	–	1
<b>19,641</b>	<b>Total expenses from continuing operations</b>		<b>22,198</b>	<b>20,880</b>
<b>987</b>	<b>Operating result from continuing operations</b>		<b>296</b>	<b>5,466</b>
<b>987</b>	<b>Net operating result for the year</b>		<b>296</b>	<b>5,466</b>
987	Net operating result attributable to council		296	5,466
<b>987</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(2,489)</b>	<b>1,101</b>

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
<b>Net operating result for the year (as per Income Statement)</b>		<b>296</b>	<b>5,466</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	1,971	4,735
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>1,971</b>	<b>4,735</b>
<b>Total other comprehensive income for the year</b>		<b>1,971</b>	<b>4,735</b>
<b>Total comprehensive income for the year</b>		<b>2,267</b>	<b>10,201</b>
Total comprehensive income attributable to Council		2,267	10,201

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

	Notes	2020 \$ '000	2019 \$ '000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	13,955	7,578
Investments	7(b)	13,000	17,500
Receivables	8	2,655	3,761
Inventories	9a	1,014	833
Other	9b	95	111
<b>Total current assets</b>		<b>30,719</b>	<b>29,783</b>
<b>Non-current assets</b>			
Receivables	8	181	280
Infrastructure, property, plant and equipment	10(a)	297,563	296,063
Right of use assets	12a	51	—
Investments accounted for using the equity method	17	61	52
<b>Total non-current assets</b>		<b>297,856</b>	<b>296,395</b>
<b>Total assets</b>		<b>328,575</b>	<b>326,178</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	13	1,486	1,767
Income received in advance	13	238	205
Contract liabilities	11	973	—
Lease liabilities	12b	18	—
Borrowings	13	41	41
Provisions	14	2,054	1,975
<b>Total current liabilities</b>		<b>4,810</b>	<b>3,988</b>
<b>Non-current liabilities</b>			
Lease liabilities	12b	33	—
Borrowings	13	—	41
Provisions	14	128	128
<b>Total non-current liabilities</b>		<b>161</b>	<b>169</b>
<b>Total liabilities</b>		<b>4,971</b>	<b>4,157</b>
<b>Net assets</b>		<b>323,604</b>	<b>322,021</b>
<b>EQUITY</b>			
Accumulated surplus	15	179,409	179,797
Revaluation reserves	15	144,195	142,224
<b>Council equity interest</b>		<b>323,604</b>	<b>322,021</b>
<b>Total equity</b>		<b>323,604</b>	<b>322,021</b>

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

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



## Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance		179,797	142,224	322,021	174,331	137,489	311,820
Changes due to AASB 1058 and AASB 15 adoption	15	(684)	–	(684)	–	–	–
<b>Restated opening balance</b>		<b>179,113</b>	<b>142,224</b>	<b>321,337</b>	<b>174,331</b>	<b>137,489</b>	<b>311,820</b>
Net operating result for the year		296	–	296	5,466	–	5,466
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10(a)	–	1,971	1,971	–	4,735	4,735
<b>Other comprehensive income</b>		<b>–</b>	<b>1,971</b>	<b>1,971</b>	<b>–</b>	<b>4,735</b>	<b>4,735</b>
<b>Total comprehensive income</b>		<b>296</b>	<b>1,971</b>	<b>2,267</b>	<b>5,466</b>	<b>4,735</b>	<b>10,201</b>
<b>Equity – balance at end of the reporting period</b>		<b>179,409</b>	<b>144,195</b>	<b>323,604</b>	<b>179,797</b>	<b>142,224</b>	<b>322,021</b>

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

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

# Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020 \$ '000		Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
6,492	Rates and annual charges		6,349	6,254
6,589	User charges and fees		4,793	4,712
716	Investment and interest revenue received		540	736
6,138	Grants and contributions		12,379	11,263
–	Bonds, deposits and retention amounts received		20	217
4	Other		1,263	2,385
<b>Payments:</b>				
(7,968)	Employee benefits and on-costs		(7,983)	(7,950)
(5,108)	Materials and contracts		(5,778)	(6,109)
(4)	Borrowing costs		(4)	(6)
–	Bonds, deposits and retention amounts refunded		(51)	(196)
(1,152)	Other		(3,404)	(3,053)
5,707	<b>Net cash provided (or used in) operating activities</b>	16b	8,124	8,253
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		37,500	17,500
–	Sale of real estate assets		85	–
50	Sale of infrastructure, property, plant and equipment		187	210
<b>Payments:</b>				
17,500	Purchase of investment securities		(33,025)	(20,000)
(4,490)	Purchase of infrastructure, property, plant and equipment		(6,435)	(12,947)
13,060	<b>Net cash provided (or used in) investing activities</b>		(1,688)	(15,237)
<b>Cash flows from financing activities</b>				
<b>Payments:</b>				
(41)	Repayment of borrowings and advances		(41)	(47)
(18)	Lease liabilities (principal repayments)		(18)	–
(59)	<b>Net cash flow provided (used in) financing activities</b>		(59)	(47)
18,708	<b>Net increase/(decrease) in cash and cash equivalents</b>		6,377	(7,031)
25,078	Plus: cash and cash equivalents – beginning of year	16a	7,578	14,609
43,786	<b>Cash and cash equivalents – end of the year</b>	16a	13,955	7,578
–	plus: Investments on hand – end of year	7(b)	13,000	17,500
43,786	<b>Total cash, cash equivalents and investments</b>		26,955	25,078

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 09 September 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

#### (a) Historical cost convention

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

#### (b) Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

#### Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

## Notes to the Financial Statements

for the year ended 30 June 2020

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

#### 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 has no material reliance on volunteer services and there is no financial impact on the financial statements as presented.

#### 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 Council does 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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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- 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).

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Functions or activities</b>										
Administration	9,630	9,991	8,296	7,028	1,334	2,963	4,255	4,303	34,773	22,890
Public order and safety	1,215	428	849	631	366	(203)	5	72	3,396	3,034
Health	26	5	388	246	(362)	(241)	–	–	445	445
Environment	1,473	2,036	1,041	918	432	1,118	978	1,557	15,575	14,873
Community service and education	19	66	95	96	(76)	(30)	165	66	749	789
Housing and community amenities	211	189	369	343	(158)	(154)	–	38	6,506	2,476
Water supplies	1,552	1,555	1,637	1,405	(85)	150	166	–	21,442	21,182
Sewerage supplies	896	941	830	873	66	68	21	–	18,679	18,541
Recreation and culture	989	2,299	2,061	2,795	(1,072)	(496)	875	2,250	10,260	14,773
Mining, manufacturing and construction	1,167	781	1,031	1,889	136	(1,108)	–	–	6,772	6,192
Transport and Communication	5,037	7,325	5,047	3,780	(10)	3,545	1,541	2,759	207,232	218,040
Economic Affairs	279	730	554	876	(275)	(146)	58	200	2,746	2,943
<b>Total functions and activities</b>	<b>22,494</b>	<b>26,346</b>	<b>22,198</b>	<b>20,880</b>	<b>296</b>	<b>5,466</b>	<b>8,064</b>	<b>11,245</b>	<b>328,575</b>	<b>326,178</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### Administration

includes Council's governance function, 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, animal control and other public order and safety

#### Health

includes administration and inspection costs for health services as well as provision of residential accommodation for medical professionals.

#### Environment

includes noxious plants and insect/vermin control; other environmental protection: solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

#### Community service and education

includes administration and education; aged and disabled services; youth services and programs; other community services

#### Housing and community amenities

includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation.

#### Water supplies

water services

#### Sewerage supplies

sewer services

#### Recreation and culture

includes public libraries; museums; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks and gardens; and other sporting, recreational and cultural services

#### Mining, manufacturing and construction

includes building control, quarries and pits and mineral resources

#### Transport and Communication

(urban local, urban regional); includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

#### Economic Affairs

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3. Revenue from continuing operations

	AASB	2020 \$ '000	2019 \$ '000
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	828	793
Farmland	1058 (1)	3,781	3,696
Business	1058 (1)	172	167
Less: pensioner rebates (mandatory)	1058 (1)	(45)	(44)
<b>Rates levied to ratepayers</b>		<b>4,736</b>	<b>4,612</b>
Pensioner rate subsidies received	1058 (1)	25	25
<b>Total ordinary rates</b>		<b>4,761</b>	<b>4,637</b>
<b>Annual charges</b>			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	490	490
Water supply services	1058 (1)	605	544
Sewerage services	1058 (1)	691	672
Less: pensioner rebates (mandatory)	1058 (1)	(65)	(65)
<b>Annual charges levied</b>		<b>1,721</b>	<b>1,641</b>
Pensioner subsidies received:			
– Water	1058 (1)	12	12
– Sewerage	1058 (1)	12	11
– Domestic waste management	1058 (1)	13	13
<b>Total annual charges</b>		<b>1,758</b>	<b>1,677</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>6,519</b>	<b>6,314</b>

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

**1058 (1)** indicates income recognised under AASB 1058 “at a point in 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)

	AASB	2020 \$ '000	2019 \$ '000
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	771	883
Sewerage services	15 (2)	119	122
<b>Total specific user charges</b>		<b>890</b>	<b>1,005</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation	15 (2)	19	22
Building services – other	15 (2)	2	4
Planning and building regulation	15 (2)	3	–
Regulatory/ statutory fees	15 (2)	4	11
Registration fees	15 (2)	30	50
Section 10.7 certificates (EP&A Act)	15 (2)	11	17
Section 603 certificates	15 (2)	6	–
Town planning	15 (2)	9	19
<b>Total fees and charges – statutory/regulatory</b>		<b>84</b>	<b>123</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome	15 (1)	–	3
Caravan park	15 (1)	6	4
Cemeteries	15 (1)	97	62
Lease rentals	15 (2)	–	15
Park rents	15 (1)	1	–
Quarry revenues	15 (1)	1,148	758
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (2)	1,748	2,908
Saleyards	15 (1)	8	4
Swimming centres	15 (1)	23	31
Water connection fees	15 (1)	1	2
Private works	15 (1)	110	318
Recreational grounds fees	15 (1)	7	16
Other	15 (2)	29	18
<b>Total fees and charges – other</b>		<b>3,178</b>	<b>4,139</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>4,152</b>	<b>5,267</b>

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

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

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

**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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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.

	AASB	2020 \$ '000	2019 \$ '000
<b>(c) Other revenues</b>			
Rental income – other council properties (2019 only)	1058 (1)	–	50
Legal fees recovery – rates and charges (extra charges)	1058 (2)	45	50
Legal fees recovery – other	1058 (1)	1	–
Commissions and agency fees	15 (2)	101	94
Diesel rebate	1058 (1)	86	76
Insurance claims recoveries	1058 (1)	15	331
Sales of inventories	15 (1)	4	–
Sales – general	15 (1)	19	38
Insurance rebate	1058 (1)	40	84
Reimbursement – bushfire	15 (2)	385	306
Farming income - 2019 only	15 (2)	–	23
Other	1058 (1)	47	51
<b>TOTAL OTHER REVENUE</b>		<b>743</b>	<b>1,103</b>

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

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

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

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

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

**Accounting policy for other revenue**

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

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

**2019 accounting policy:**

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

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.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	AASB	Operating 2020 \$ '000	Operating 2019 \$ '000	Capital 2020 \$ '000	Capital 2019 \$ '000
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance	1058 (1)	2,065	1,920	—	—
<b>Payment in advance - future year allocation</b>					
Financial assistance	1058 (1)	2,190	2,294	—	—
<b>Total general purpose</b>		<b>4,255</b>	<b>4,214</b>	<b>—</b>	<b>—</b>
<b>Specific purpose</b>					
Water supplies	1058 (2)	166	—	—	—
Sewerage services	1058 (2)	21	—	—	—
Bushfire and emergency services	1058 (2)	5	—	—	—
Community care	15 (2)	19	138	146	—
Tourism	1058 (2)	58	—	—	109
Employment and training programs	1058 (1)	—	11	—	—
Floodplain management	1058 (1)	62	—	—	—
Environmental programs	1058 (2)	—	72	916	1,435
Library – per capita	1058 (1)	74	24	—	—
Recreation and culture	1058 (2)	4	9	575	958
Transport (roads to recovery)	1058 (1)	1,395	893	—	—
Street lighting	1058 (1)	39	38	—	—
Transport (other roads and bridges funding)	1058 (2)	—	300	108	1,544
Crown Lands	1058 (1)	—	79	—	—
Community Drought Program	1058 (2)	178	1,388	—	—
Other	1058 (2)	—	33	43	—
<b>Total specific purpose</b>		<b>2,021</b>	<b>2,985</b>	<b>1,788</b>	<b>4,046</b>
<b>Total grants</b>		<b>6,276</b>	<b>7,199</b>	<b>1,788</b>	<b>4,046</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		5,828	6,976	146	1,067
– State funding		448	223	1,642	2,979
		<b>6,276</b>	<b>7,199</b>	<b>1,788</b>	<b>4,046</b>

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

**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)

	AASB	Operating 2020 \$ '000	Operating 2019 \$ '000	Capital 2020 \$ '000	Capital 2019 \$ '000
<b>(e) Contributions</b>					
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Bushfire services	15 (2)	81	–	568	–
Recreation and culture	1058 (1)	–	–	14	–
RMS contributions (regional roads, block grant)	1058 (1)	1,351	1,336	415	319
<b>Total other contributions – cash</b>		<b>1,432</b>	<b>1,336</b>	<b>997</b>	<b>319</b>
<b>Total other contributions</b>		<b>1,432</b>	<b>1,336</b>	<b>997</b>	<b>319</b>
<b>Total contributions</b>		<b>1,432</b>	<b>1,336</b>	<b>997</b>	<b>319</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>7,708</b>	<b>8,535</b>	<b>2,785</b>	<b>4,365</b>

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

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

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

**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.

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**

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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.

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

**(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	315	322
<b>Add:</b> operating grants received for the provision of goods and services	251	135
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	–	99
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	–	(241)
<b>Less:</b> operating grants recognised in the current reporting period and now spent	(214)	–
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	(170)	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>182</b>	<b>315</b>

**Capital grants**

Unexpended at the close of the previous reporting period	514	226
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	–	514
	2,645	–

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	2020 \$ '000	2019 \$ '000
<b>Add:</b> capital grants received for the provision of goods and services in a future period	2,645	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	–	(226)
<b>Less:</b> capital grants recognised in the current reporting period and now spent	(1,831)	–
<b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income	(417)	–
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>911</b>	<b>514</b>

## Note 4. Interest and investment income

	2020 \$ '000	2019 \$ '000
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	73	50
– Cash and investments	360	712
<b>Total Interest and investment income</b>	<b>433</b>	<b>762</b>

**Interest revenue is attributable to:****Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	38	29
General Council cash and investments	252	479

**Restricted investments/funds – external:**

Water fund operations	60	102
Sewerage fund operations	77	152
Domestic waste management operations	6	–

**Total interest and investment revenue****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

	2020 \$ '000	2019 \$ '000
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	6,255	5,954
Employee leave entitlements (ELE)	675	904
Superannuation	712	672
Workers' compensation insurance	283	227
Fringe benefit tax (FBT)	33	23
Protective clothing	47	22
Other	218	122
<b>Total employee costs</b>	<b>8,223</b>	<b>7,924</b>
Less: capitalised costs	(178)	(216)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>8,045</b>	<b>7,708</b>
Number of 'full-time equivalent' employees (FTE) at year end	87	86

**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.

	2020 \$ '000	2019 \$ '000
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on leases	1	–
Interest on loans	3	5
<b>Total interest bearing liability costs</b>	<b>4</b>	<b>5</b>
<b>Total interest bearing liability costs expensed</b>	<b>4</b>	<b>5</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>4</b>	<b>5</b>

**Accounting policy for borrowing costs**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

	2020 \$ '000	2019 \$ '000
<b>(c) Materials and contracts</b>		
Raw materials and consumables	2,104	2,769
Contractor and consultancy costs		
– Building, electrical, plumbing	334	116
– External plant hire	175	297
– Planning	175	–
– Quarry	129	254
– Water Supply	214	–
– Health Services	271	–
– Waste management	302	333
– Aerodrome Grounds Maintenance	37	48
Contractor and consultancy costs – other	271	453
Auditors remuneration <sup>1</sup>	62	62
<b>Legal expenses:</b>		
– Legal expenses: debt recovery	77	47
– Legal expenses: other	111	59
<b>Total materials and contracts</b>	<b>4,262</b>	<b>4,438</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>4,262</b>	<b>4,438</b>
<b>1. Auditor remuneration</b>		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	62	62
<b>Remuneration for audit and other assurance services</b>	<b>62</b>	<b>62</b>
<b>Total Auditor-General remuneration</b>	<b>62</b>	<b>62</b>
<b>Total Auditor remuneration</b>	<b>62</b>	<b>62</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	Notes	2020 \$ '000	2019 \$ '000
(d) Depreciation, amortisation and impairment of non-financial assets			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,209	1,200
Office equipment		151	159
Land improvements (depreciable)		15	2
<b>Infrastructure:</b>	10(a)		
– Buildings – non-specialised		63	116
– Buildings – specialised		512	417
– Other structures		392	517
– Roads		3,321	2,514
– Bridges		155	146
– Footpaths		29	26
– Stormwater drainage		158	28
– Water supply network		388	247
– Sewerage network		309	375
<b>Right of use assets</b>	12	18	–
<b>Total gross depreciation and amortisation costs</b>		<b>6,720</b>	<b>5,747</b>
<b>Total depreciation and amortisation costs</b>		<b>6,720</b>	<b>5,747</b>
<b>Impairment of other assets</b>			
– Real Estate	9a	25	–
<b>Total other assets impairment costs / (reversals) charged to Income Statement</b>		<b>25</b>	<b>–</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</b>		<b>6,745</b>	<b>5,747</b>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 12 for right of use 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.

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)

	2020 \$ '000	2019 \$ '000
<b>(e) Other expenses</b>		
Advertising	81	65
Training costs (other than salaries and wages)	219	279
Travel expenses	95	14
Bad and doubtful debts	57	–
Bank charges	15	15
Street Cleaning	259	260
Computer software charges	81	90
Contributions/levies to other levels of government	71	66
– Emergency services levy (includes FRNSW, SES, and RFS levies)	26	24
– NSW rural fire service levy	506	403
– Other contributions/levies	115	105
Councillor expenses – mayoral fee	21	21
Councillor expenses – councillors' fees	77	70
Councillors' expenses (incl. mayor) – other (excluding fees above)	57	19
Donations, contributions and assistance to other organisations (Section 356)	72	81
Election expenses	1	34
Electricity and heating	398	454
Farming costs	–	39
Fire control expenses	2	–
Insurance	364	292
Office expenses (including computer expenses)	47	29
Postage	29	29
Printing and stationery	50	64
Royalties	41	42
Street lighting	119	155
Subscriptions and publications	71	57
Telephone and communications	45	63
Valuation fees	21	26
Other	107	85
<b>Total other expenses</b>	<b>3,047</b>	<b>2,881</b>
<b>TOTAL OTHER EXPENSES</b>	<b>3,047</b>	<b>2,881</b>

**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

	Notes	2020 \$ '000	2019 \$ '000
<b>Plant and equipment</b>	10(a)		
Proceeds from disposal – plant and equipment		187	210
Less: carrying amount of plant and equipment assets sold/written off		(182)	(187)
<b>Net gain/(loss) on disposal</b>		<b>5</b>	<b>23</b>
<b>Infrastructure</b>	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(70)	(123)
<b>Net gain/(loss) on disposal</b>		<b>(70)</b>	<b>(123)</b>
<b>Real estate assets held for sale</b>	9		
Proceeds from disposal – real estate assets		85	–
Less: carrying amount of real estate assets sold/written off		(115)	–
<b>Net gain/(loss) on disposal</b>		<b>(30)</b>	<b>–</b>
<b>Investments</b>	7(b)		
Proceeds from disposal/redemptions/maturities – investments		37,500	17,500
Less: carrying amount of investments sold/redeemed/matured		(37,500)	(17,500)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(95)</u></b>	<b><u>(100)</u></b>

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	2020 \$ '000	2019 \$ '000
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	6,455	2,078
Cash-equivalent assets		
– Deposits at call	2,500	1,000
– Short-term deposits	5,000	4,500
<b>Total cash and cash equivalents</b>	<b>13,955</b>	<b>7,578</b>

**Accounting policy for cash and cash equivalents**

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

## Note 7(b). Investments

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
<b>Investments</b>				
'Financial assets at amortised cost' / 'held to maturity' (2018)	13,000	–	17,500	–
<b>Total Investments</b>	<b>13,000</b>	<b>–</b>	<b>17,500</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>26,955</b>	<b>–</b>	<b>25,078</b>	<b>–</b>
<b>Financial assets at amortised cost</b>				
Long term deposits	13,000	–	17,500	–
<b>Total</b>	<b>13,000</b>	<b>–</b>	<b>17,500</b>	<b>–</b>

**Accounting policy for investments**

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

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

**Financial assets**

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

**Classification**

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

- amortised cost
- fair value through profit 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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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- 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

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Total cash, cash equivalents and investments	26,955	—	25,078	—
<b>attributable to:</b>				
External restrictions	10,520	—	10,215	—
Internal restrictions	12,945	—	13,465	—
Unrestricted	3,490	—	1,398	—
	26,955	—	25,078	—

	2020 \$ '000	2019 \$ '000
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended grants – general fund (2020 only)

	973	—
<b>External restrictions – included in liabilities</b>	<b>973</b>	<b>—</b>

**External restrictions – other**

Specific purpose unexpended grants (recognised as revenue) – general fund

Water supplies	2,740	2,704
Sewerage services	5,653	5,751
Domestic waste management	1,034	931

<b>External restrictions – other</b>	<b>9,547</b>	<b>10,215</b>
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<b>Total external restrictions</b>	<b>10,520</b>	<b>10,215</b>
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## Notes to the Financial Statements

for the year ended 30 June 2020

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

	2020 \$ '000	2019 \$ '000
<b>Internal restrictions</b>		
Plant and vehicle replacement	3,460	2,666
Employees leave entitlement	895	895
Carry over works	174	157
Aerodrome	50	50
Caravan park	25	62
Cemetery	77	77
Common	53	50
Depot improvements	9	41
Development	247	449
Election expenses	13	14
Emergency services building	200	200
Financial assistance grant (in advance)	2,338	2,294
Footpath replacement	125	150
Kerb and gutter replacement	39	114
Levee reserve	530	723
Local environmental plan	25	25
Office equipment	144	160
Other community development	248	248
Premises refurbishment	619	650
Quarry	1,118	1,076
Quarry rehabilitation	150	140
Recreational facilities	93	159
Road reloaming	431	731
Road reserve sealed	709	881
Rural fire service	36	36
Showground	80	106
Single invitation contract	200	200
Sportsground	20	24
Strategic plan review	20	20
Street lighting	40	40
Urban streets	95	254
Weir improvement	18	18
Bore Baths Establishment Reserve	500	500
SCC Grant Matching Component'	164	255
<b>Total internal restrictions</b>	<b>12,945</b>	<b>13,465</b>
<b>TOTAL RESTRICTIONS</b>	<b>23,465</b>	<b>23,680</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Receivables

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
<b>Purpose</b>				
Rates and annual charges	679	125	408	210
Interest and extra charges	41	25	35	46
User charges and fees	834	192	1,056	215
Accrued revenues				
– Interest on investments	35	–	127	–
Government grants and subsidies	1,231	–	2,144	–
Net GST receivable	77	–	148	–
<b>Total</b>	<b>2,897</b>	<b>342</b>	<b>3,918</b>	<b>471</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(210)	(85)	(136)	(143)
User charges and fees	(32)	(76)	(21)	(48)
<b>Total provision for impairment – receivables</b>	<b>(242)</b>	<b>(161)</b>	<b>(157)</b>	<b>(191)</b>
<b>TOTAL NET RECEIVABLES</b>	<b>2,655</b>	<b>181</b>	<b>3,761</b>	<b>280</b>

## Externally restricted receivables

## Water supply

– Rates and availability charges	72	–	77	–
– Other	375	115	310	–

## Sewerage services

– Rates and availability charges	170	–	110	–
– Other	11	–	37	–

<b>Total external restrictions</b>	<b>628</b>	<b>115</b>	<b>534</b>	<b>–</b>
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<b>Unrestricted receivables</b>	<b>2,027</b>	<b>66</b>	<b>3,227</b>	<b>280</b>
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<b>TOTAL NET RECEIVABLES</b>	<b>2,655</b>	<b>181</b>	<b>3,761</b>	<b>280</b>
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	2020 \$ '000	2019 \$ '000
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	348	348
+ new provisions recognised during the year	55	–
<b>Balance at the end of the year</b>	<b>403</b>	<b>348</b>

## Accounting policy for receivables

## Recognition and measurement

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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#### 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 presumption that a financial asset is in default when:

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 1 year past due, whichever occurs first.

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Inventories and other assets

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	166	—	306	—
Stores and materials	176	—	181	—
Trading stock	672	—	346	—
<b>Total inventories at cost</b>	<b>1,014</b>	<b>—</b>	<b>833</b>	<b>—</b>
<b>TOTAL INVENTORIES</b>	<b>1,014</b>	<b>—</b>	<b>833</b>	<b>—</b>

**(b) Other assets**

Prepayments	95	—	111	—
<b>TOTAL OTHER ASSETS</b>	<b>95</b>	<b>—</b>	<b>111</b>	<b>—</b>

**(i) Other disclosures**

	Notes	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
<b>(a) Details for real estate development</b>					
Industrial/commercial		166	—	306	—
<b>Total real estate for resale</b>		<b>166</b>	<b>—</b>	<b>306</b>	<b>—</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		166	—	306	—
<b>Total costs</b>		<b>166</b>	<b>—</b>	<b>306</b>	<b>—</b>
<b>Total real estate for resale</b>		<b>166</b>	<b>—</b>	<b>306</b>	<b>—</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		306	—	306	—
– Impairment	5d	(25)	—	—	—
– WDV of sales (expense)	6	(115)	—	—	—
<b>Total real estate for resale</b>		<b>166</b>	<b>—</b>	<b>306</b>	<b>—</b>

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

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

	2020 \$ '000	2019 \$ '000
Real estate for resale	166	191
	<b>166</b>	<b>191</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### Accounting policy for inventories and other assets

##### **Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	237	–	237	1,528	119	–	–	(33)	–	–	1,851	–	1,851
Plant and equipment	11,469	(5,125)	6,344	15	521	(182)	(1,209)	–	–	–	13,236	(7,747)	5,489
Office equipment	3,061	(2,334)	727	–	160	–	(151)	–	–	–	1,247	(511)	736
<b>Land:</b>													
– Crown land	838	–	838	–	–	–	–	–	–	22	860	–	860
– Operational land	2,344	–	2,344	–	53	–	–	–	–	88	2,485	–	2,485
– Community land	678	–	678	–	–	–	–	–	(37)	–	641	–	641
Land improvements – non-depreciable	36	–	36	–	–	–	–	–	–	–	36	–	36
Land improvements – depreciable	822	(93)	729	–	141	–	(15)	–	–	–	964	(109)	855
<b>Infrastructure:</b>													
– Buildings – non-specialised	3,512	(816)	2,696	6	74	–	(63)	–	–	54	3,670	(902)	2,768
– Buildings – specialised	27,953	(9,651)	18,302	106	–	–	(512)	–	–	68	28,182	(10,219)	17,963
– Other structures	18,351	(5,953)	12,398	86	485	–	(392)	19	–	428	19,509	(6,484)	13,025
– Roads	243,628	(61,162)	182,466	2,019	441	–	(3,321)	14	–	636	246,430	(64,174)	182,256
– Bridges	25,645	(3,586)	22,059	–	–	–	(155)	–	–	220	25,901	(3,776)	22,125
– Footpaths	1,699	(443)	1,256	26	–	–	(29)	–	–	87	1,814	(474)	1,340
– Bulk earthworks (non-depreciable)	6,599	–	6,599	41	–	–	–	–	–	–	6,640	–	6,640
– Stormwater drainage	11,894	(4,273)	7,621	–	–	–	(158)	–	–	120	12,013	(4,431)	7,582
– Water supply network	25,597	(7,506)	18,091	330	–	(61)	(388)	–	–	168	26,079	(7,939)	18,140
– Sewerage network	27,857	(15,215)	12,642	82	248	(10)	(309)	–	–	117	28,442	(15,671)	12,771
<b>Total Infrastructure, property, plant and equipment</b>	<b>412,220</b>	<b>(116,157)</b>	<b>296,063</b>	<b>4,239</b>	<b>2,242</b>	<b>(253)</b>	<b>(6,702)</b>	<b>–</b>	<b>(37)</b>	<b>2,008</b>	<b>420,000</b>	<b>(122,437)</b>	<b>297,563</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	126	–	126	32	205	–	–	(126)	–	–	–	237	–	237
Plant and equipment	13,241	(6,801)	6,440	99	1,745	(187)	(1,200)	–	(553)	–	–	11,469	(5,125)	6,344
Office equipment	674	(569)	105	–	228	–	(159)	–	553	–	–	3,061	(2,334)	727
<b>Land:</b>														
– Operational land	2,344	–	2,344	–	–	–	–	–	–	–	–	2,344	–	2,344
– Community land	678	–	678	–	–	–	–	–	–	–	–	678	–	678
– Crown land	838	–	838	–	–	–	–	–	–	–	–	838	–	838
Land improvements – non-depreciable	36	–	36	–	–	–	–	–	–	–	–	36	–	36
Land improvements – depreciable	169	(91)	78	–	653	–	(2)	–	–	–	–	822	(93)	729
<b>Infrastructure:</b>														
– Buildings – non-specialised	2,755	(558)	2,197	430	20	–	(116)	56	–	–	109	3,512	(816)	2,696
– Buildings – specialised	27,125	(8,384)	18,741	277	255	–	(417)	–	–	(554)	–	27,953	(9,651)	18,302
– Other structures	17,059	(5,136)	11,923	1,098	102	–	(517)	41	–	(249)	–	18,351	(5,953)	12,398
– Roads	232,740	(42,493)	190,247	4,649	332	–	(2,514)	–	–	(10,248)	–	243,628	(61,162)	182,466
– Bridges	14,575	(2,046)	12,529	–	–	–	(146)	–	–	–	9,676	25,645	(3,586)	22,059
– Footpaths	1,957	(219)	1,738	52	–	–	(26)	–	–	(508)	–	1,699	(443)	1,256
– Bulk earthworks (non-depreciable)	5,559	–	5,559	–	1,027	–	–	13	–	–	–	6,599	–	6,599
– Stormwater drainage	2,459	(977)	1,482	61	–	–	(28)	–	–	–	6,106	11,894	(4,273)	7,621
– Water supply network	24,970	(7,390)	17,580	431	116	(44)	(247)	16	–	–	239	25,597	(7,506)	18,091
– Sewerage network	27,220	(14,756)	12,464	426	42	(79)	(375)	–	–	–	164	27,857	(15,215)	12,642
<b>Total Infrastructure, property, plant and equipment</b>	<b>374,525</b>	<b>(89,420)</b>	<b>285,105</b>	<b>7,555</b>	<b>4,725</b>	<b>(310)</b>	<b>(5,747)</b>	<b>–</b>	<b>–</b>	<b>(11,559)</b>	<b>16,294</b>	<b>412,220</b>	<b>(116,157)</b>	<b>296,063</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 100	Flood control structures	80 to 100
Reticulation pipes: other	25 to 80		
Pumps and telemetry	15 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	20 to 30	Bulk earthworks	Infinite
Sealed roads: Structure	Infinite	Swimming pools	50
Unsealed roads: Structure	Infinite	Unsealed roads	20
Unsealed roads: surface	20 to 30	Other open space/recreational assets	20 to 50
Bridge: Box Culvert	60 to 100		
Bridge: Standard	100 to 175		
Road pavements	45 to 60		
Kerb, gutter and footpaths	40 to 100		

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

**Land under roads**

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

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

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

**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 plant & vehicle assets. All rural fire service buildings on Council land have been recognised as assets.

## Note 10(b). Externally restricted infrastructure, property, plant and equipment

	as at 30/06/20			as at 30/06/19		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
<b>Water supply</b>						
Infrastructure	26,079	7,939	18,140	25,597	7,506	18,091
<b>Total water supply</b>	<b>26,079</b>	<b>7,939</b>	<b>18,140</b>	<b>25,597</b>	<b>7,506</b>	<b>18,091</b>
<b>Sewerage services</b>						
Infrastructure	28,516	15,671	12,845	27,858	15,215	12,643
<b>Total sewerage services</b>	<b>28,516</b>	<b>15,671</b>	<b>12,845</b>	<b>27,858</b>	<b>15,215</b>	<b>12,643</b>
<b>Domestic waste management</b>						
Land						
– Operational land	32	–	32	29	–	29
– Improvements non-depreciable	61	–	61	61	–	61
Infrastructure	1,035	290	745	635	114	521
<b>Total DWM</b>	<b>1,128</b>	<b>290</b>	<b>838</b>	<b>725</b>	<b>114</b>	<b>611</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>55,723</b>	<b>23,900</b>	<b>31,823</b>	<b>54,180</b>	<b>22,835</b>	<b>31,345</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Contract assets and liabilities

	Notes	2020 Current \$ '000	2020 Non-current \$ '000
<b>Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	911	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	62	—
<b>Total grants received in advance</b>		<b>973</b>	<b>—</b>
<b>Total contract liabilities</b>		<b>973</b>	<b>—</b>

**Notes**

(i) Council has received funding to construct assets including sporting facilities, water supply 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.

	2020 Current \$ '000	2020 Non-current \$ '000
<b>(i) Contract liabilities relating to restricted assets</b>		
<b>Externally restricted assets</b>		
Unspent grants held as contract liabilities (excl. Water & Sewer)	973	—
<b>Contract liabilities relating to externally restricted assets</b>	<b>973</b>	<b>—</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>973</b>	<b>—</b>
<b>Total contract liabilities</b>	<b>973</b>	<b>—</b>

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

**(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)	400
Operating grants (received prior to performance obligation being satisfied)	61

<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>461</b>
--	------------

**Significant changes in contract assets and liabilities**

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and

## Notes to the Financial Statements

for the year ended 30 June 2020

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

capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

**Accounting policy for contract assets and liabilities**

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

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

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

## 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

**Office equipment**

Leases for office equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 1 and 3 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

	Office Equipment \$ '000	Total \$ '000
Opening balance at 30 June 2019	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	69	69
Depreciation charge	(18)	(18)
<b><u>RIGHT OF USE ASSETS</u></b>	<b><u>51</u></b>	<b><u>51</u></b>

	2020 Current \$ '000	2020 Non-current \$ '000
Lease liabilities	18	33
<b><u>TOTAL LEASE LIABILITIES</u></b>	<b><u>18</u></b>	<b><u>33</u></b>

## (i) The maturity analysis

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Leases (continued)

	< 1 year \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
Cash flows	19	33	–	52	51

	2020 Current \$ '000	2020 Non-current \$ '000
<b>Total lease liabilities relating to unrestricted assets</b>	18	33
<b><u>Total lease liabilities</u></b>	<b>18</b>	<b>33</b>

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

## (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	18
	<b>19</b>

## (d) Statement of Cash Flows

Total cash outflow for leases	19
	<b>19</b>

## 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Leases (continued)

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

**Exceptions to lease accounting**

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

**Leases at significantly below market value / concessionary leases**

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

## (ii) Council as a lessor

## (e) Operating leases

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

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

	2020 \$ '000
<b>(i) Operating lease income</b>	
Residential Premises	73
Leaseback fees - council vehicles	26
Council Land - NEI	26
Aerodrome Lease Fees	20
<b>Total income relating to operating leases</b>	<b>145</b>
<b>(ii) Operating lease expenses</b>	
<b>Other leased assets</b>	
Other	120
<b>Total expenses relating to operating leases</b>	<b>120</b>
<b>(iv) Maturity analysis of contractual lease income</b>	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	135
1–2 years	135
2–3 years	135
3–4 years	135
4–5 years	135
> 5 years	135
<b>Total undiscounted contractual lease income receivable</b>	<b>810</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Leases (continued)

	Plant & Equipment 2020 \$ '000	Buildings 2020 \$ '000	Land 2020 \$ '000
<b>(v) Reconciliation of IPP&amp;E assets leased out as operating leases</b>			
<b>Opening balance as at 1 July 2019</b>	<b>166</b>	<b>597</b>	<b>861</b>
Additions renewals	154	–	–
Carrying value of disposals	(60)	–	–
Depreciation expense	(34)	(33)	–
Revaluation increments to equity (ARR)	–	33	27
<b>Closing balance as at 30 June 2020</b>	<b>226</b>	<b>597</b>	<b>888</b>

## Accounting policy

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Payables and borrowings

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
<b>Payables</b>				
Goods and services – operating expenditure	666	–	816	–
Goods and services – capital expenditure	198	–	175	–
Accrued expenses:				
– Salaries and wages	16	–	–	–
– Other expenditure accruals	31	–	118	–
Other payables	420	–	472	–
Security bonds, deposits and retentions	155	–	186	–
<b>Total payables</b>	<b>1,486</b>	<b>–</b>	<b>1,767</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	238	–	205	–
<b>Total income received in advance</b>	<b>238</b>	<b>–</b>	<b>205</b>	<b>–</b>
<b>Borrowings</b>				
Loans – unsecured	41	–	41	41
<b>Total borrowings</b>	<b>41</b>	<b>–</b>	<b>41</b>	<b>41</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>1,765</u></b>	<b><u>–</u></b>	<b><u>2,013</u></b>	<b><u>41</u></b>

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Water	93	–	72	–
Sewer	103	–	76	–
Payables and borrowings relating to externally restricted assets	196	–	148	–
<b>Total payables and borrowings relating to restricted assets</b>	<b>196</b>	<b>–</b>	<b>148</b>	<b>–</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>1,569</b>	<b>–</b>	<b>1,865</b>	<b>41</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>1,765</u></b>	<b><u>–</u></b>	<b><u>2,013</u></b>	<b><u>41</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	131	164
<b>Total payables and borrowings</b>	<b>131</b>	<b>164</b>

**(c) Changes in liabilities arising from financing activities**

	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loan – unsecured	82	(41)	–	–	–	–	41
Lease liabilities	69	(18)	–	–	–	–	51
<b>TOTAL</b>	<b>151</b>	<b>(59)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>92</b>

	as at 30/06/18		Non-cash changes				as at 30/06/19
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Other non-cash movement \$ '000		Closing balance \$ '000
Loan – unsecured	129	(47)	–	–	–		82
Lease liabilities	–	69	–	–	–		69
<b>TOTAL</b>	<b>129</b>	<b>22</b>	<b>–</b>	<b>–</b>	<b>–</b>		<b>151</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Payables and borrowings (continued)

	2020 \$ '000	2019 \$ '000
<b>(d) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Bank overdraft facilities <sup>1</sup>	250	250
Credit cards/purchase cards	35	35
<b>Total financing arrangements</b>	<b>285</b>	<b>285</b>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	250	500
– Credit cards/purchase cards	35	70
<b>Total undrawn financing arrangements</b>	<b>285</b>	<b>570</b>

## Additional financing arrangements information

## Breaches and defaults

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

(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

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	909	–	875	–
Long service leave	1,145	128	1,100	128
<b>Sub-total – aggregate employee benefits</b>	<b>2,054</b>	<b>128</b>	<b>1,975</b>	<b>128</b>
<b>TOTAL PROVISIONS</b>	<b>2,054</b>	<b>128</b>	<b>1,975</b>	<b>128</b>

## (a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

	2020 \$ '000	2019 \$ '000
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## (b) 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	1,084	1,086
	<b>1,084</b>	<b>1,086</b>

## (c) Description of and movements in provisions

	ELE provisions		
	Annual leave \$ '000	Long service leave \$ '000	Total \$ '000
<b>2020</b>			
At beginning of year	875	1,228	2,103
Additional provisions	488	218	706
Amounts used (payments)	(454)	(173)	(627)
<b>Total ELE provisions at end of year</b>	<b>909</b>	<b>1,273</b>	<b>2,182</b>
<b>2019</b>			
At beginning of year	934	1,096	2,030
Additional provisions	541	361	902
Amounts used (payments)	(600)	(229)	(829)
<b>Total ELE provisions at end of year</b>	<b>875</b>	<b>1,228</b>	<b>2,103</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Provisions (continued)

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#### Accounting policy for provisions

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

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

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

#### Employee benefits

##### Short-term obligations

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

##### Other long-term employee benefit obligations

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

##### On-costs

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

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

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

#### Self-insurance

Council does not self insure

## 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

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

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

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

#### (b) Correction of errors relating to a previous reporting period

Council made no correction of errors during the current reporting period.

#### (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.

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

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

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

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

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

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

##### **Principal v agent**

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

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

##### **Licences**

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

##### **Prepaid rates**

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

## 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 – operating**

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

**Grants – capital**

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

	<b>Balance at 1 July 2019</b>
<b>\$ '000</b>	
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract liabilities</b>	
– Under AASB 15	110
– Under AASB 1058	574
<b>Total Contract liabilities</b>	<b>684</b>

**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**

	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
<b>\$ '000</b>					
<b>Current assets</b>					
Cash and cash equivalents	13,955	–	–	13,955	
Investments	13,000	–	–	13,000	
Receivables	2,655	–	–	2,655	
Inventories	1,014	–	–	1,014	
Other	95	–	–	95	
<b>Total current assets</b>	<b>30,719</b>	<b>–</b>	<b>–</b>	<b>30,719</b>	
<b>Current liabilities</b>					
Payables	1,486	–	–	1,486	
Income received in advance	238	–	–	238	
Contract liabilities	973	–	(973)	–	
Lease liabilities	18	–	–	18	
Borrowings	41	–	–	41	
Provisions	2,054	–	–	2,054	
<b>Total current liabilities</b>	<b>4,810</b>	<b>–</b>	<b>(973)</b>	<b>3,837</b>	

**Non-current assets**

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Receivables	181	—	—	181	
Infrastructure, property, plant and equipment	297,563	—	—	297,563	
Right of use assets	51	—	—	51	
Investments accounted for using equity method	61	—	—	61	
<b>Total non-current assets</b>	<b>297,856</b>	<b>—</b>	<b>—</b>	<b>297,856</b>	
<b>Non-current liabilities</b>					
Lease liabilities	33	—	—	33	
Provisions	128	—	—	128	
<b>Total Non-current liabilities</b>	<b>161</b>	<b>—</b>	<b>—</b>	<b>161</b>	
<b>Net assets</b>	<b>323,604</b>	<b>—</b>	<b>973</b>	<b>324,577</b>	
<b>Equity</b>					
Accumulated surplus	179,409	—	973	180,382	
Revaluation reserves	144,195	—	—	144,195	
<b>Council equity interest</b>	<b>323,604</b>	<b>—</b>	<b>973</b>	<b>324,577</b>	
<b>Total equity</b>	<b>323,604</b>	<b>—</b>	<b>973</b>	<b>324,577</b>	

The introduction of AASB 15 and AASB 1058 has resulted in the reporting of income, largely from government grants, to be presented on the basis of recognition of contract liabilities for certain revenues where income is received in advance of the performance of the obligations associated with the contract at balance date. Such revenues were previously taken to account as income and are now presented as liabilities.

## Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	6,519	—	—	6,519	
User charges and fees	4,152	—	—	4,152	
Other revenues	743	—	—	743	
Grants and contributions provided for operating purposes	7,708	—	(58)	7,650	
Grants and contributions provided for capital purposes	2,785	—	347	3,132	
Interest and investment income	433	—	—	433	
Rental income	145	—	—	145	

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Net share of interests in joint ventures and associates using the equity method	9	—	—	9	
<b>Total Income from continuing operations</b>	<b>22,494</b>	<b>—</b>	<b>289</b>	<b>22,783</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	8,045	—	—	8,045	
Borrowing costs	4	—	—	4	
Materials and contracts	4,262	—	—	4,262	
Depreciation and amortisation	6,720	—	—	6,720	
Impairment of investments	25	—	—	25	
Other expenses	3,047	—	—	3,047	
Net losses from the disposal of assets	95	—	—	95	
<b>Total Expenses from continuing operations</b>	<b>22,198</b>	<b>—</b>	<b>—</b>	<b>22,198</b>	
<b>Total Operating result from continuing operations</b>	<b>296</b>	<b>—</b>	<b>289</b>	<b>585</b>	
Net operating result for the year	296	—	289	585	
<b>Total comprehensive income</b>	<b>2,267</b>	<b>—</b>	<b>289</b>	<b>2,556</b>	

The introduction of AASB 15 and AASB 1058 has resulted in the reporting of income, largely from government grants, to be presented on the basis of recognition of contract liabilities for certain revenues where income is received in advance of the performance of the obligations associated with the contract at balance date. Such revenues were previously taken to account as income and are now presented as liabilities.

## 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
<b>Total assets</b>	<b>326,178</b>	<b>—</b>	<b>326,178</b>
Contract liabilities	—	684	684
<b>Total liabilities</b>	<b>4,157</b>	<b>684</b>	<b>4,841</b>
Accumulated surplus	—	(684)	(684)
<b>Total equity</b>	<b>322,021</b>	<b>(684)</b>	<b>321,337</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****(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 \$69,917 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 2%

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	<b>105</b>

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

<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	<b>70</b>
<b>Lease liabilities recognised at 1 July 2019</b>	<b>70</b>

**Council as a lessor**

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

## 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
Rights-of-use assets	–	70	70
<b>Total assets</b>	<b>326,178</b>	<b>70</b>	<b>326,248</b>
Leases	–	70	70
<b>Total liabilities</b>	<b>4,157</b>	<b>70</b>	<b>4,227</b>
Accumulated surplus	–	–	–
<b>Total equity</b>	<b>322,021</b>	<b>–</b>	<b>322,021</b>

## (c) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

## (d) Changes in accounting estimates

Council made no changes in accounting estimates during the year.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Statement of cash flow information

	Notes	2020 \$ '000	2019 \$ '000
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	13,955	7,578
<b>Balance as per the Statement of Cash Flows</b>		<b>13,955</b>	<b>7,578</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		296	5,466
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		6,720	5,747
Net losses/(gains) on disposal of assets		95	100
Adoption of AASB 15/1058		(684)	—
Impairment losses recognition		25	—
Share of net (profits)/losses of associates/joint ventures using the equity method		(9)	1
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		1,150	(2,122)
Increase/(decrease) in provision for impairment of receivables		55	—
Decrease/(increase) in inventories		(321)	(45)
Decrease/(increase) in other current assets		16	(56)
Increase/(decrease) in payables		(150)	436
Increase/(decrease) in accrued interest payable		—	(1)
Increase/(decrease) in other accrued expenses payable		(71)	(454)
Increase/(decrease) in other liabilities		(50)	(892)
Increase/(decrease) in contract liabilities		973	—
Increase/(decrease) in provision for employee benefits		79	73
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>8,124</b>	<b>8,253</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Interests in other entities

	Council's share of net income		Council's share of net assets	
	2020 \$ '000	2019 \$ '000	2020 \$ '000	2019 \$ '000
Joint ventures	9	(1)	61	52
<b>Total</b>	<b>9</b>	<b>(1)</b>	<b>61</b>	<b>52</b>

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

Council has no interest in any controlled entities (subsidiaries).

## (b) Joint arrangements

## (i) Joint ventures

Council has incorporated the following joint venture into its consolidated financial statements.

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

	Nature of relationship	Measurement method	2020 \$ '000	2019 \$ '000
Northern Western Library Service	Joint venture	At cost	61	52
<b>Total carrying amounts – material joint ventures</b>			<b>61</b>	<b>52</b>

## (b) Details

Principal activity		Place of business
Northern Western Library Service	Provision of Library Services	Coonamble

## (c) Relevant interests and fair values

	Interest in outputs		Interest in ownership		Proportion of voting power	
	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
Northern Western Library Service	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Interests in other entities (continued)

## (d) Summarised financial information for joint ventures

	Northern Western Library Service	
	2020	2019
	\$ '000	\$ '000
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	12	2
<b>Non-current assets</b>	233	208
<b>Net assets</b>	<u>245</u>	<u>210</u>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	207	208
Profit/(loss) for the period	38	(1)
<b>Closing net assets</b>	<u>245</u>	<u>207</u>
<b>Council's share of net assets (%)</b>	25.0%	25.0%
<b>Council's share of net assets (\$)</b>	61	52
< Enter Description >		
<b>Statement of comprehensive income</b>		
Income	65	57
Other expenses	(56)	(58)
<b>Profit/(loss) from continuing operations</b>	<u>9</u>	<u>(1)</u>
<b>Profit/(loss) for the period</b>	<u>9</u>	<u>(1)</u>
<b>Total comprehensive income</b>	9	(1)

## (i) County Councils

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

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

## (c) Associates

Council has no interest in any associates.

## (d) Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Commitments

	2020 \$ '000	2019 \$ '000
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## (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**

Buildings	1,466	915
Other Structures	2,635	1,623
<b>Total commitments</b>	<b>4,101</b>	<b>2,538</b>

**These expenditures are payable as follows:**

Within the next year	4,101	2,538
<b>Total payable</b>	<b>4,101</b>	<b>2,538</b>

**Sources for funding of capital commitments:**

Unrestricted general funds	159	—
Future grants and contributions	2,438	1,461
Unexpended grants	978	630
Internally restricted reserves	526	447
<b>Total sources of funding</b>	<b>4,101</b>	<b>2,538</b>

**Details of capital commitments**

Completion of Stronger Country Communities and Drought Community Programs

	2020 \$ '000	2019 \$ '000
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## (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	—	21
Later than one year and not later than 5 years	—	84
<b>Total non-cancellable operating lease commitments</b>	<b>—</b>	<b>105</b>

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

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

5-year Photocopier rental agreement due for completion in 2023

**Conditions relating to finance and operating leases:**

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

## 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 \$ 203,448.06. The last formal valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$88,000. Council's expected contribution to the plan for the next annual reporting period is \$174,550.32.

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.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$88,800 as at 30 June 2020.

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)

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#### (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) Garbage Depot Reinstatement

Garbage is disposed of in pits at the Coonamble Depot. When a new pit is required the old pit is reinstated at the same time as the digging of the new pit. As a result reinstatement costs are expensed each year. Should current practices change, it will be necessary to consider the need to establish a Garbage Depot Remediation provision.

##### (iii) Gravel Pits Reinstatement

Council's practice with regard to remediation of road reserve and private property gravel pits to construct water storage for future road maintenance or a farm dam in return for the use of material where feasible. If this is not feasible for whatever reason then the pit is scarified and seeded upon completion of works undertaken and expensed accordingly, therefor future remediation costs are zero.

#### 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.

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

	Carrying value 2020 \$ '000	Carrying value 2019 \$ '000	Fair value 2020 \$ '000	Fair value 2019 \$ '000
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	13,955	7,578	13,955	7,578
Receivables	2,836	4,041	2,836	4,041
Investments				
– 'Financial assets at amortised cost'	13,000	17,500	13,000	17,500
<b>Total financial assets</b>	<b>29,791</b>	<b>29,119</b>	<b>29,791</b>	<b>29,119</b>
<b>Financial liabilities</b>				
Payables	1,486	1,767	1,486	1,767
Loans/advances	41	82	41	82
Lease liabilities	51	–	51	–
<b>Total financial liabilities</b>	<b>1,578</b>	<b>1,849</b>	<b>1,578</b>	<b>1,849</b>

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

## (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.

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
<b>2020</b>				
Possible impact of a 1% movement in interest rates	229	229	229	229
<b>2019</b>				
Possible impact of a 1% movement in interest rates	243	243	243	243

## 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. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

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

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

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

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

## Credit risk profile

## Receivables – rates and annual charges

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

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
<b>2020</b>						
Gross carrying amount	240	263	131	159	11	804
<b>2019</b>						
Gross carrying amount	187	185	180	55	11	618

## 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.

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
<b>2020</b>						
Gross carrying amount	1,540	176	102	—	617	2,435
Expected loss rate (%)	1.88%	5.46%	9.41%	0.00%	9.59%	4.41%
<b>ECL provision</b>	<b>29</b>	<b>10</b>	<b>10</b>	<b>—</b>	<b>59</b>	<b>108</b>
<b>2019</b>						
Gross carrying amount	3,346	148	35	4	238	3,771
Expected loss rate (%)	1.26%	4.24%	8.12%	0.00%	7.56%	1.84%
<b>ECL provision</b>	<b>42</b>	<b>6</b>	<b>3</b>	<b>—</b>	<b>18</b>	<b>69</b>

## 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.

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
<b>2020</b>							
Trade/other payables	0.00%	155	1,331	–	–	1,486	1,486
Loans and advances	7.75%	–	41	–	–	41	41
<b>Total financial liabilities</b>		<b>155</b>	<b>1,372</b>	<b>–</b>	<b>–</b>	<b>1,527</b>	<b>1,527</b>
<b>2019</b>							
Trade/other payables	0.00%	186	1,581	–	–	1,767	1,767
Loans and advances	7.75%	–	41	41	–	82	82
<b>Total financial liabilities</b>		<b>186</b>	<b>1,622</b>	<b>41</b>	<b>–</b>	<b>1,849</b>	<b>1,849</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Material budget variations

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

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>REVENUES</b>				
Rates and annual charges	6,501	6,519	18	0% <b>F</b>
User charges and fees	6,432	4,152	(2,280)	(35)% <b>U</b>
Council's ability to generate income from its user charges and fees was adversely affected by the prevailing economic and climatic conditions experienced throughout the year.				
Other revenues	800	743	(57)	(7)% <b>U</b>
Operating grants and contributions	6,033	7,708	1,675	28% <b>F</b>
Council adopted a conservative approach for estimating the level of grant funded income that was expected to be received in the 2019/2020 financial year. Council was successful in obtaining additional unplanned grant funds throughout the year.				
Capital grants and contributions	–	2,785	2,785	∞ <b>F</b>
Council adopted a conservative approach for estimating the level of grant funded income that was expected to be received in the 2019/2020 financial year. Council was successful in obtaining additional unplanned grant funds throughout the year.				
Interest and investment revenue	717	433	(284)	(40)% <b>U</b>
Both short term & long term factors have combined to drive interest rates lower than anticipated at the time of which the 2019/2020 Operational Budget was prepared and adopted by Council.				
Rental income	145	145	–	0% <b>F</b>
Rental income previously included in Other Revenues but now disclosed separately in accordance with AASB 16.				
Joint ventures and associates – net profits	–	9	9	∞ <b>F</b>

**EXPENSES**

Employee benefits and on-costs	7,967	8,045	(78)	(1)% <b>U</b>
Borrowing costs	4	4	–	0% <b>F</b>
Materials and contracts	3,090	4,262	(1,172)	(38)% <b>U</b>
The increase in Materials and contracts is due to a combination of a shift in planned expenditure programs along with Council receiving additional unplanned grant funds that were expended throughout the year.				
Depreciation and amortisation	5,428	6,720	(1,292)	(24)% <b>U</b>
During the 2018/2019 financial year a revaluation of Council's Transport Infrastructure asset class was undertaken. This revaluation process was finalised after the adoption of Council's 2019/20 Operational Budget, noting that a significant increase in depreciation expenses had occurred when compared to the adopted budget.				

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
<b>Impairment of real estate</b>	–	25	(25)	∞	<b>U</b>
Due to the lead time involved with the preparation and adoption of the 2019/20 operational budget a shift in market conditions occurred impacting on Council ability to recover the carrying value of real estate held for resale. This was uncovered during the 2019/20 financial statements preparation process.					
<b>Other expenses</b>	3,152	3,047	105	3%	<b>F</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Material budget variations

	2020	2020	2020	
\$ '000	Budget	Actual	Variance	

## STATEMENT OF CASH FLOWS

<b>Cash flows from operating activities</b>	<b>5,707</b>	<b>8,124</b>	<b>2,417</b>	<b>42%</b>	<b>F</b>
Council adopted a conservative approach when budgeting for planned grant funded opportunities. Throughout the year Council was successful in obtaining additional grant funds.					
<b>Cash flows from investing activities</b>	<b>13,060</b>	<b>(1,688)</b>	<b>(14,748)</b>	<b>(113)%</b>	<b>U</b>
Council received additional Capital Grants throughout the 2018/2019 financial year. Council utilised these funds in the renewal and purchase of various infrastructure assets.					
<b>Cash flows from financing activities</b>	<b>(59)</b>	<b>(59)</b>	<b>-</b>	<b>0%</b>	<b>F</b>

## 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

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

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

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

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

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

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

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>2020</b>					
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment		–	–	5,489	5,489
Office Equipment		–	–	736	736
Crown land	01/07/19	–	–	860	860
Operational land	01/07/19	–	–	2,485	2,485
Community land	01/07/19	–	–	641	641
Buildings – non-specialised	30/06/20	–	1,329	1,439	2,768
Buildings – specialised	30/06/20	–	–	17,963	17,963
Other Structures	30/06/20	–	–	13,025	13,025
Roads	30/06/20	–	–	182,256	182,256
Bridges	30/06/20	–	–	22,125	22,125
Footpaths	30/06/20	–	–	1,340	1,340
Stormwater Drainage	30/06/20	–	–	7,582	7,582
Water Supply network	30/06/15	–	–	18,140	18,140
Sewerage network	30/06/15	–	–	12,771	12,771
Bulk Earthworks	30/06/18	–	–	6,640	6,640
Land Improvements	30/06/18	–	–	891	891
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>1,329</b>	<b>294,383</b>	<b>295,712</b>

## 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					
Infrastructure, property, plant and equipment					
Plant and equipment		—	—	6,344	6,344
Office Equipment		—	—	727	727
Crown land	01/07/17	—	—	838	838
Operational land	01/07/17	—	—	2,344	2,344
Community land	01/07/17	—	—	678	678
Buildings – non-specialised	30/06/18	—	1,329	1,367	2,696
Buildings – specialised	30/06/18	—	—	18,302	18,302
Other Structures	30/06/18	—	—	12,398	12,398
Roads	30/06/19	—	—	182,466	182,466
Bridges	30/06/19	—	—	22,059	22,059
Footpaths	30/06/19	—	—	1,256	1,256
Stormwater Drainage	30/06/19	—	—	7,621	7,621
Water Supply network	30/06/15	—	—	18,091	18,091
Sewerage network	30/06/15	—	—	12,642	12,642
Bulk Earthworks	30/06/18	—	—	6,599	6,599
Land Improvements	30/06/18	—	—	765	765
Total infrastructure, property, plant and equipment		—	1,329	294,497	295,826

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

##### Plant and Equipment, Office Equipment and Furniture and Fittings

Plant and Equipment, Office Equipment and Furniture and Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the 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 and display boards.

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

##### Operational and Community Land

Operational and Community Land are based on either the Land Value provided by the Valuer-General or an where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land. Operational Land is based on the Valuer value as these are representative of the actual market values in the Coonamble Shire LGA. As these rates were not considered to be observable market evidence they have been classified a level 3.

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

##### Buildings - Non-Specialised and Specialised

Non-Specialised and Specialised Buildings were valued utilising APV Valuers & Asset Management consultants during the 2017/2018 financial year. A desktop valuation was carried out as at the 30/06/2020 by APV Valuers & Asset Management to ensure the fair value of the asset class was recorded.

Depending on the specific asset the valuation approach may have included the adoption of a singular or multiple technique.

- The Market approach has been applied where there is a principal market which provides observable evidence of the Fair Value of the asset
- The income approach has been applied for assets where the income generating capability of the asset provides the best estimate of the assets Fair Value
- The Cost approach was used for assets which are not commonly traded. Typically, these include assets that public and not-for-profit sector entities use to provide services to the public for no or minimal charge

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

##### Other Structures

Other Structures were also revalued through the 2017/2018 financial year utilising APV Valuers & Asset Management consultants. A desktop valuation as at 30/06/2020 was carried out by APV Valuers & Asset Management consultants to ensure the fair value of the asset class was recorded.

The various asset types identified included Airport Assets, Fences, Hardstand and Internal Roads, Landscaping, Lighting, Miscellaneous, Park Assets, Pool Assets, Saleyards and Sporting Equipment.

Depending on the specific asset the valuation approach may have included the adoption of a singular or multiple technique.

- The Market approach has been applied where there is a principal Market which provides observable evidence of the Fair Value of the asset
- The income approach has been applied for assets where the income generating capability of the asset provides the best estimate of the assets Fair Value
- The Cost approach was used for assets which are not commonly traded. Typically these include assets that public and not-for-profit sector entities use to provide services to the public for no or minimal charge

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)

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#### Roads

Roads were revalued during the 2018/2019 financial year utilising APV Valuers and Asset Management Consultants, with input from Council's engineering department. A desktop valuation as at 30/06/2020 was carried out by APV Valuers & Asset Management consultants to ensure the fair value of the asset class was recorded. Roads comprise road carriageway, roadside shoulders and kerb and gutter. No market-based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this class.

#### Bridges

Bridges were revalued during the 2018/2019 financial year externally by APV Valuers and Asset Management Consultants, with input from Council's engineering department. A desktop valuation as at 30/06/2020 was carried out by APV Valuers & Asset Management Consultants to ensure the fair value of the asset class was recorded.

While all bridges were physically inspected and unit rates based on square metres were used there was no reliable market evidence (Level 2) as 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.

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

#### Footpaths

Footpaths were revalued externally by APV Valuers and Asset Management Consultants during the 2018/2019 financial year, with input from Council staff relating to costings. A desktop valuation as at 30/06/2020 was carried out by APV Valuers & Asset Management Consultants to ensure the fair value of the asset class was recorded.

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

#### Drainage Infrastructure

Drainage Infrastructure Assets were revalued during the 2018/2019 financial year by APV Valuers and Asset Management Consultants, with input from Council's engineering department. A desktop valuation as at 30/06/2020 was carried out by APV Valuers & Asset Management consultants to ensure the fair value of the asset class was recorded.

Assets within this class comprise culverts, open channels, storm water pipes, pits and other storm water structures.

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. 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.

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

#### Water Supply Network

Assets within this class comprise reservoirs, pumping stations and, water pipelines.

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 Office of Water.

The asset class has been revalued this year, the assumptions of this revaluation remain the same as in prior years.

#### Sewerage Network

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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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 Office of Water.

The asset class has been revalued this year, the assumptions of this revaluation remain the same as in prior years.

#### Swimming Pools

Assets within this class comprise Council's outdoor swimming pool. The swimming pool was valued externally by APV Valuers & Asset Management consultants. A desktop valuation as at 30/06/2020 was carried out by APV Valuers & Asset Management consultants to ensure the fair value of the asset class was recorded. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) 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.

Previously these assets had been valued internally by Council staff.

#### Bulk Earthworks/Land Improvements

Assets within this class comprise Bulk Earthworks, turf surfaces, irrigation and other misc land improvements etc. All assets in this class were valued in-house by experienced engineering staff.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) 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.

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)

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

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

	Water supply network \$ '000	Sewerage network \$ '000	Plant and equipment \$ '000	Operational / Crown Land \$ '000	Community / Crown Land \$ '000
<b>2019</b>					
<b>Opening balance</b>	17,580	12,464	6,545	2,432	1,428
Purchases (GBV)	547	468	2,072	—	—
Disposals (WDV)	(44)	(79)	(187)	—	—
Depreciation and impairment	(247)	(375)	(1,359)	—	—
Other movement	16	—	—	—	—
Revaluation increment to ARR	239	164	—	—	—
<b>Closing balance</b>	<b>18,091</b>	<b>12,642</b>	<b>7,071</b>	<b>2,432</b>	<b>1,428</b>

<b>2020</b>					
<b>Opening balance</b>	18,091	12,642	7,071	2,432	1,428
Purchases (GBV)	330	330	696	53	—
Disposals (WDV)	(61)	(10)	(182)	—	—
Depreciation and impairment	(388)	(309)	(1,360)	—	—
Other movement	—	—	—	90	(17)
Revaluation increment to ARR	168	118	—	—	—
<b>Closing balance</b>	<b>18,140</b>	<b>12,771</b>	<b>6,225</b>	<b>2,575</b>	<b>1,411</b>

	Land improve- ments \$ '000	Bulk earthworks \$ '000	Buildings non- specialised \$ '000	Building specialised \$ '000	Other structures \$ '000
Notes					
<b>2019</b>					
<b>Opening balance</b>	114	5,559	870	18,741	11,923
Transfers from/(to) level 2 FV hierarchy	26 4(b)	—	(2)	—	—
Purchases (GBV)	653	1,027	450	532	1,200
Depreciation and impairment	(2)	—	(116)	(417)	(517)
Other movement	—	13	56	—	41
Revaluation increment to ARR	—	—	109	(554)	(249)
<b>Closing balance</b>	<b>765</b>	<b>6,599</b>	<b>1,367</b>	<b>18,302</b>	<b>12,398</b>
<b>2020</b>					
<b>Opening balance</b>	765	6,599	1,367	18,302	12,398
Purchases (GBV)	141	41	80	106	571
Depreciation and impairment	(15)	—	(63)	(512)	(392)
Other movement	—	—	—	—	19
Revaluation increment to ARR	—	—	55	67	429
<b>Closing balance</b>	<b>891</b>	<b>6,640</b>	<b>1,439</b>	<b>17,963</b>	<b>13,025</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

	Notes	Roads infrastructure \$ '000	Stormwater drainage \$ '000	Total \$ '000
<b>2019</b>				
<b>Opening balance</b>		204,514	1,482	<b>283,652</b>
Transfers from/(to) level 2 FV hierarchy	26 4(b)	—	—	<b>(2)</b>
Purchases (GBV)		5,033	61	<b>12,043</b>
Disposals (WDV)		—	—	<b>(310)</b>
Depreciation and impairment		(2,686)	(28)	<b>(5,747)</b>
Other movement		—	—	<b>126</b>
Revaluation increment to ARR		(1,080)	6,106	<b>4,735</b>
<b>Closing balance</b>		<b>205,781</b>	<b>7,621</b>	<b>294,497</b>
<b>2020</b>				
<b>Opening balance</b>		205,781	7,621	<b>294,497</b>
Purchases (GBV)		2,486	—	<b>4,834</b>
Disposals (WDV)		—	—	<b>(253)</b>
Depreciation and impairment		(3,505)	(158)	<b>(6,702)</b>
Other movement		14	—	<b>106</b>
Revaluation increment to ARR		945	119	<b>1,901</b>
<b>Closing balance</b>		<b>205,721</b>	<b>7,582</b>	<b>294,383</b>

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

Following the desktop revaluation of Council Buildings and other structures as at 30/06/2019, by external consultants a number of buildings, 8 in total, were valued based on observable market evidence (level 2). Level 2 input was adjusted accordingly

**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.

	Fair value (30/6/20) \$ '000	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Buildings non specialised	2,768	Values provided by external consultant	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Buildings Specialised	17,963	Values provided by external consultant	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Other Structures	13,025	Values provided by external consultant	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Road Infrastructure	205,721	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Stormwater drainage	7,582	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Water Supply	18,140	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

	Fair value (30/6/20) \$ '000	Valuation technique/s	Unobservable inputs
Sewerage network	12,771	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Plant & Equipment	6,225	Cost approach used to approximate fair value	Gross replacement cost, Remaining useful life, Residual value
Operational land	2,485	Land values obtained from the NSW Valuer General	Land value based on price per square meter
Community land	641	Land values obtained from the NSW Valuer General	Land value based on price per square meter
Crown Land	860	Land values obtained from the NSW Valuer General	Land value based on price per square meter
Bulk Earthworks	6,640	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Land Improvements	891	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value

## (5) Highest and best use

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Related party disclosures

#### (a) Key management personnel

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

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

	2020 \$ '000	2019 \$ '000
<b>Compensation:</b>		
Short-term benefits	798	819
Post-employment benefits	120	105
Other long-term benefits	29	22
Termination benefits	—	313
<b>Total</b>	<b>947</b>	<b>1,259</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Related party disclosures (continued)

#### (b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
<b>2020</b>						
Quarry Sales	3	—	18		—	—
Building renovations & repairs	4	96	—		—	—
Purchase of Land	6	50	—		—	—
<b>2019</b>						
Supply of Product and Contract Services	1	44	—		—	—
Aerodrome Grounds Maintenance Contract	2	44	—		—	—
Quarry Sales	3	64	31		—	—
Building renovations & repairs	4	57	—		—	—
Private Works	5	33	33		—	—

- 1 Council purchases refreshments for Council meetings from a local cafe of which a KMP is part owner. All goods are purchased at normal retail prices
- 2 Council has a contractual arrangement with the Coonamble Aeroclub for the maintenance of the Coonamble Aerodrome grounds. The president of this organisation is a son of a KMP
- 3 Council supplies various materials from its Quarry operations to the public. A KMP is an owner operator of a business that purchases product from the Quarry. All product is sold as per Council's adopted fee's and charges
- 4 Council received grant funding to carry out various building infrastructure works throughout the Council , expressions of interest were sought and quotations received. One of the local contractors awarded the works is a son of a KMP
- 5 As the result of a fire damage a number of buildings in the Coonamble CBD were demolished by Council and the sites cleaned up. The demolition and disposal costs were then passed on to the various property owners. A KMP is an owner of one of the affected properties.
- 6 As per Council resolution land was purchased from a KMP



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Related party disclosures (continued)

#### (c) Other related party transactions

	Ref	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
<b>2020</b>						
Library Services	1	61	–	Membership of Library Co-op	–	–
<b>2019</b>						
Library Services	1	56	1	Membership of Library Co-op	–	–

1 Council is a member of a Joint venture being the North Western Library Co-operative with three other Councils, each council contributes and equal amount to the joint venture each year for the operation of the service which is to purchase books and e-resources for the benefit of the residents and ratepayers in the four local government areas.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25. Result by fund

	General <sup>1</sup> 2020 \$ '000	Water 2020 \$ '000	Sewer 2020 \$ '000
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	5,241	594	684
User charges and fees	3,261	772	119
Interest and investment revenue	296	60	77
Other revenues	720	19	4
Grants and contributions provided for operating purposes	7,521	166	21
Grants and contributions provided for capital purposes	2,785	–	–
Net gains from disposal of assets	71	–	–
Rental income	145	–	–
Share of interests in joint ventures and associates using the equity method	9	–	–
<b>Total income from continuing operations</b>	<b>20,049</b>	<b>1,611</b>	<b>905</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	7,587	241	217
Borrowing costs	4	–	–
Materials and contracts	3,061	837	364
Depreciation and amortisation	6,023	388	309
Impairment of investments	25	–	–
Other expenses	3,023	13	11
Net losses from the disposal of assets	95	61	10
<b>Total expenses from continuing operations</b>	<b>19,818</b>	<b>1,540</b>	<b>911</b>
<b>Operating result from continuing operations</b>	<b>231</b>	<b>71</b>	<b>(6)</b>
<b>Net operating result for the year</b>	<b>231</b>	<b>71</b>	<b>(6)</b>
<b>Net operating result attributable to each council fund</b>	<b>231</b>	<b>71</b>	<b>(6)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(2,554)</b>	<b>71</b>	<b>(6)</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25. Result by fund (continued)

	General <sup>1</sup> 2020 \$ '000	Water 2020 \$ '000	Sewer 2020 \$ '000
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	12,223	210	1,522
Investments	6,339	2,530	4,131
Receivables	2,027	447	181
Inventories	1,014	–	–
Other	95	–	–
<b>Total current assets</b>	<b>21,698</b>	<b>3,187</b>	<b>5,834</b>
<b>Non-current assets</b>			
Receivables	66	115	–
Infrastructure, property, plant and equipment	266,578	18,140	12,845
Investments accounted for using the equity method	61	–	–
Right of use assets	51	–	–
<b>Total non-current assets</b>	<b>266,756</b>	<b>18,255</b>	<b>12,845</b>
<b>TOTAL ASSETS</b>	<b>288,454</b>	<b>21,442</b>	<b>18,679</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	1,354	29	103
Income received in advance	174	64	–
Contract liabilities	973	–	–
Lease liabilities	18	–	–
Borrowings	41	–	–
Provisions	2,054	–	–
<b>Total current liabilities</b>	<b>4,614</b>	<b>93</b>	<b>103</b>
<b>Non-current liabilities</b>			
Lease liabilities	33	–	–
Provisions	128	–	–
<b>Total non-current liabilities</b>	<b>161</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>4,775</b>	<b>93</b>	<b>103</b>
<b>Net assets</b>	<b>283,679</b>	<b>21,349</b>	<b>18,576</b>
<b>EQUITY</b>			
Accumulated surplus	152,732	14,185	12,492
Revaluation reserves	130,947	7,164	6,084
<b>Council equity interest</b>	<b>283,679</b>	<b>21,349</b>	<b>18,576</b>
<b>Total equity</b>	<b>283,679</b>	<b>21,349</b>	<b>18,576</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(2,403)	(12.20)%	5.47%	8.00%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	19,700				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	11,992	53.33%	51.04%	61.80%	>60.00%
Total continuing operating revenue <sup>1</sup>	22,485				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	19,405	8.00x	7.28x	5.13x	>1.50x
Current liabilities less specific purpose liabilities	2,426				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	4,346	68.98x	133.73x	131.98x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	63				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	575	8.15%	6.21%	5.14%	<10.00%
Rates, annual and extra charges collectible	7,057				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	26,955	18.72	17.33	18.39	>3.00
Monthly payments from cash flow of operating and financing activities	1,440	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 <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	(14.36)%	4.41%	4.41%	16.53%	(0.66)%	6.28%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	48.39%	45.45%	89.70%	99.32%	97.68%	98.87%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	8.00x	7.28x	34.27x	42.93x	56.64x	77.61x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	56.89x	114.96x	∞	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	7.19%	5.57%	6.36%	7.63%	16.82%	10.10%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	19.41	12.69	2.31	27.43	30.85	151.34	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

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

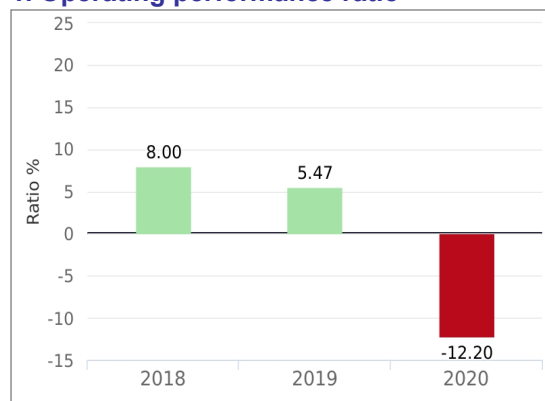
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

## 1. Operating performance ratio



## Purpose of operating performance ratio

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

## Commentary on 2019/20 result

2019/20 ratio (12.20)%

Council's operating performance ratio is below the industry for the 2019/2020 financial year. The main factors which have influenced the operational result have been a reduction in income from user fees and charges and operational grants coupled with a increase in depreciation and other expenses.

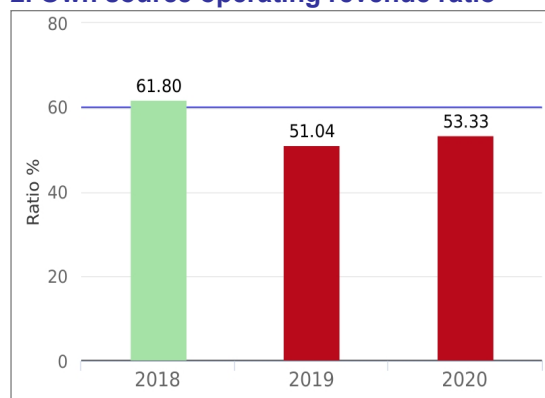
Benchmark: — > 0.00%

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 53.33%

During the 2019/20 Council received significant additional income in the form of Government grants and contributions. Council's 2019/20 result does not achieve the industry benchmark of 60% due to these additional funds.

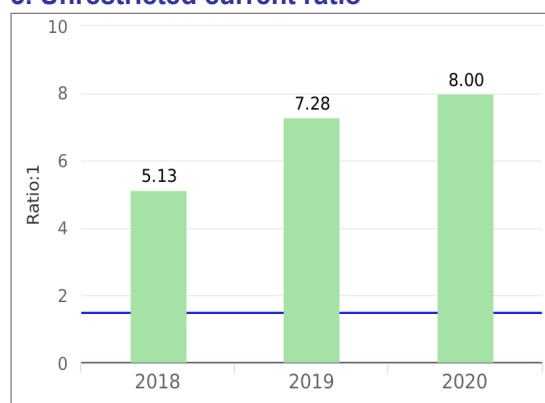
Benchmark: — > 60.00%

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 8.00x

Council's unrestricted current ratio exceeds the industry benchmark of 1.5 which indicates that Council is capable to satisfy its debts as and when they fall due.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

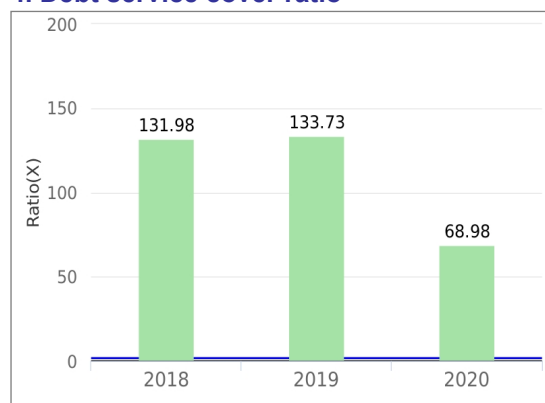
Ratio is outside benchmark

## 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 68.98x

The Debt service ratio indicates that Council has sufficient operating cash to service its debts.

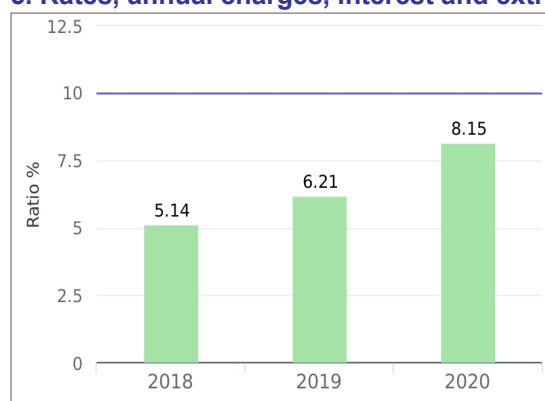
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

## Commentary on 2019/20 result

2019/20 ratio 8.15%

The 2019/20 result is a deterioration on the previous year. Whilst Council's ratio is currently better than the industry standard for Rural Councils, it should be noted that due predominantly to the current prevailing social and economic conditions that it will need to be monitored closely moving forward to ensure it remains within the standard.

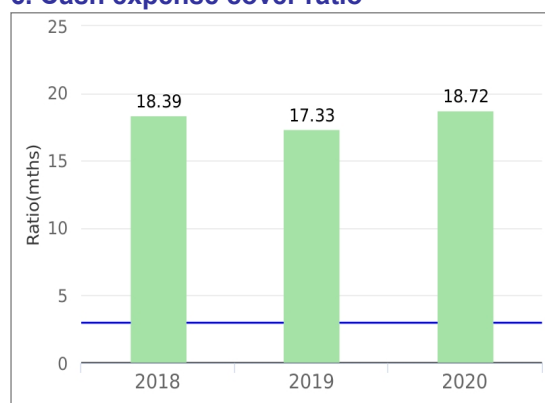
Benchmark: — < 10.00%

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

Ratio achieves benchmark

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 18.72 mths

The ratio is well above the industry standard of 3 months which indicates that Council has sufficient liquidity to mitigate any unforeseen future events. It should be noted that the 2019/20 ratio has improved from the previous result.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 27. Council information and contact details

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**Principal place of business:**

80 Castlereagh Street  
Coonamble NSW 2829

#### Contact details

**Mailing Address:**

PO Box 249  
Coonamble NSW 2829

**Telephone:** 02 68271900

**Facsimile:** 02 68221626

**Opening hours:**

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

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

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

#### Officers

Hein Basson  
General Manager

Bruce Quarmby  
Responsible Accounting Officer

#### Auditors

Auditor General of NSW

#### Elected members

Cr. Al Karanouh  
Mayor

#### Councillors

Cr. Paul Wheelhouse (Deputy Mayor)  
Cr. Karen Churchill  
Cr. Pat Cullen  
Cr. Barbara Deans  
Cr. Bill Fisher  
Cr. Robert Thomas

#### Other information

**ABN:** 19 499 848 443





## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Coonamble Shire Council

To the Councillors of Coonamble Shire Council

### Opinion

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

In my opinion:

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

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

## Basis for Opinion

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

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

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

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

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

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

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Manuel Moncada

Delegate of the Auditor-General for New South Wales

23 November 2020  
SYDNEY



Cr Al Karanouh  
Mayor  
Coonamble Shire Council  
PO Box 249  
COONAMBLE NSW 2829

Contact: Manuel Moncada  
Phone no: 02 9275 7333  
Our ref: D2027339/1717

23 November 2020

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Coonamble 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**

	<b>2020</b>	<b>2019</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	6.52	6.31	3.3
Grants and contributions revenue	10.49	12.90	18.7
Operating result from continuing operations	0.30	5.47	94.5
Net operating result before capital grants and contributions	(2.49)	1.10	326.4

Council's operating result (\$296,000 including the effect of depreciation and amortisation expense of \$6.7 million) was \$5.2 million lower than the 2018–19 result. This was mainly due to decreased revenue from grants and contributions (down \$2.4 million) and RMS charges (down \$1.2 million), and an increase in depreciation charges of \$973,000.

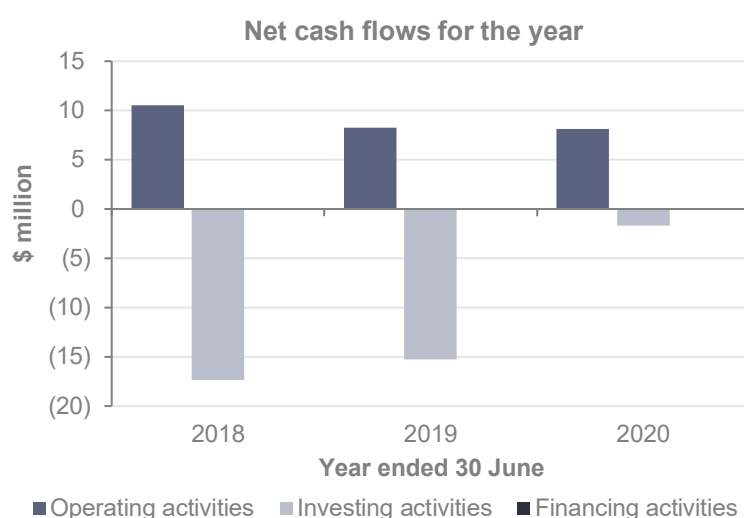
The net operating result before capital grants and contributions (deficit of \$2.5 million) was \$3.6 million lower than the 2018–19 result. This was mainly due to the items noted above.

Rates and annual charges revenue (\$6.5 million) increased by \$205,000 (3.3 per cent) in 2019–2020.

Grants and contributions revenue (\$10.5 million) decreased by \$2.4 million (18.7 per cent) in 2019–2020 due to reductions in funding recognised in respect to the Community Drought Program and capital projects for transport assets.

## STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$7.6 million to \$14 million at the close of the year.
- the increase is mainly due to more funds being held in cash and cash equivalents rather than longer term investments.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	10.5	10.2	<ul style="list-style-type: none"> <li>External restrictions include unspent specific purpose grants, domestic waste management charges, and water and sewerage funds.</li> <li>Balances are internally restricted due to Council policy or decisions for forward plans including works program.</li> <li>Unrestricted balances provide liquidity for day-to-day operations.</li> </ul>
Internal restrictions	12.9	13.5	
Unrestricted	3.5	1.4	
<b>Cash and investments</b>	<b>26.9</b>	<b>25.1</b>	

### Debt

After repaying principal and interest of \$63,000, total debt as at 30 June 2020 was \$41,000 (2019: \$82,000).

# PERFORMANCE

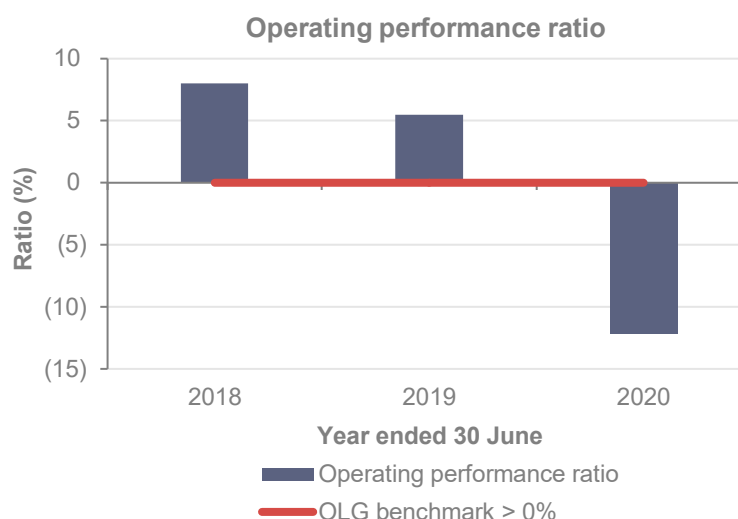
## Performance measures

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

### Operating performance ratio

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

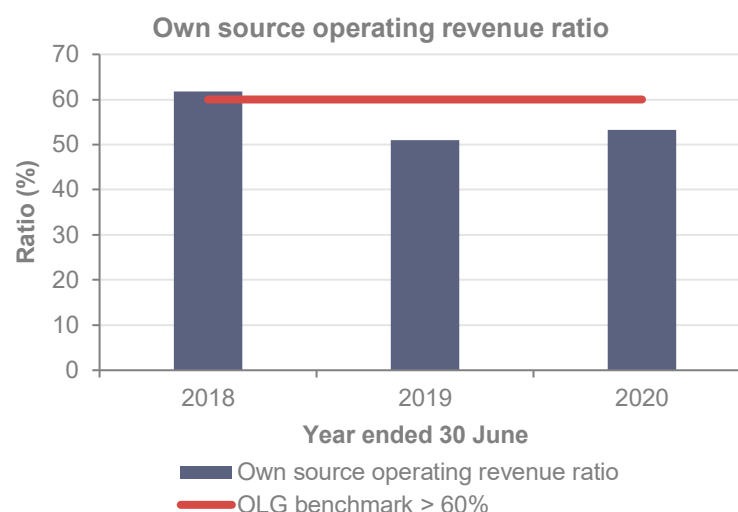
The Council did not meet the OLG benchmark for the current reporting period.



### Own source operating revenue ratio

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

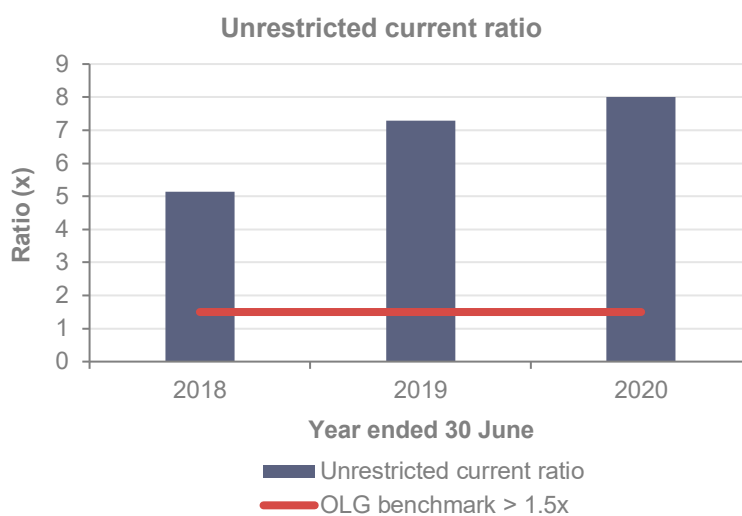
The Council did not meet the OLG benchmark for the current reporting period.



### 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.

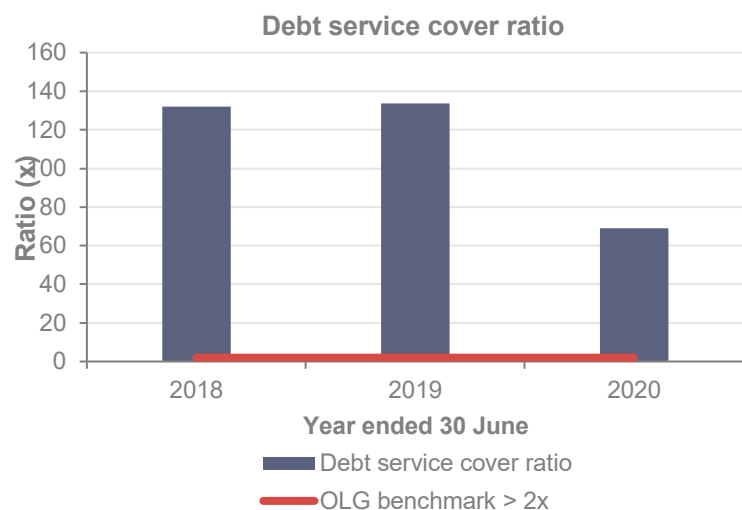
The Council exceeded the OLG benchmark for the current reporting period.



### Debt service cover ratio

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

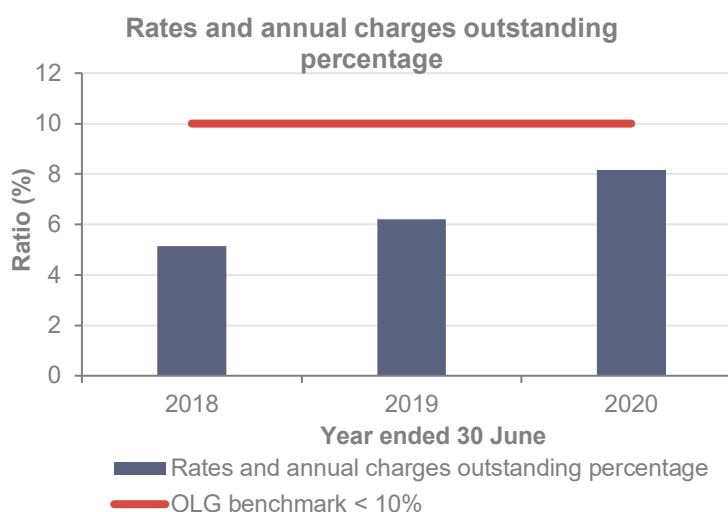
The Council exceeded the OLG benchmark for the current reporting period.



## Rates and annual charges outstanding percentage

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

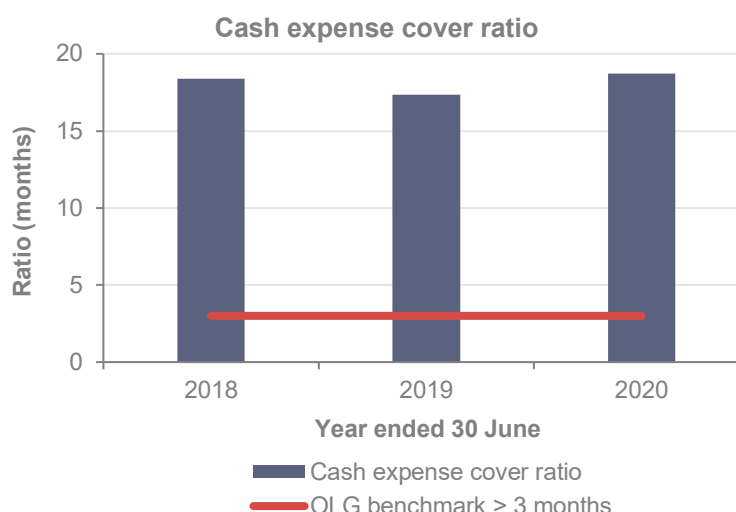
The Council met the OLG benchmark for the current reporting period.



## 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's asset renewal additions for the year were \$4.2 million compared \$7.6 million for the prior year
- The level of asset renewals during the year represented 63 percent of the total depreciation expense (\$6.7 million) for the year.

## OTHER MATTERS

### Impact of new accounting standards

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

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



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

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

The Council recognised a \$684,000 adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

### **AASB 16 'Leases'**

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

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

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

The Council recognised right-of-use assets of \$70,000 and lease liabilities of \$70,000 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.



Manuel Moncada  
Delegate of the Auditor-General for New South Wales

cc: Hein Basson, General Manager  
Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Coonamble Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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## Special Purpose Financial Statements

for the year ended 30 June 2020

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### 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).

## Coonamble Shire Council

### 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 09 September 2020.



Al Karanouh  
Mayor  
09 September 2020



Bill Fisher  
Councillor  
09 September 2020



Hein Basson  
General Manager  
09 September 2020



Bruce Quarmby  
Responsible Accounting Officer  
09 September 2020

## Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

	2020 \$ '000	2019 \$ '000
<b>Income from continuing operations</b>		
Access charges	594	591
User charges	771	1,026
Fees	1	–
Interest	60	102
Grants and contributions provided for non-capital purposes	166	12
Other income	19	35
<b>Total income from continuing operations</b>	<b>1,611</b>	<b>1,766</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	241	284
Materials and contracts	837	705
Depreciation, amortisation and impairment	388	247
Water purchase charges	13	194
Loss on sale of assets	61	44
<b>Total expenses from continuing operations</b>	<b>1,540</b>	<b>1,474</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>71</b>	<b>292</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>71</b>	<b>292</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>71</b>	<b>292</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(20)	(80)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>51</b>	<b>212</b>
<b>Plus accumulated surplus</b>	<b>14,114</b>	<b>13,822</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	20	80
<b>Closing accumulated surplus</b>	<b>14,185</b>	<b>14,114</b>
<b>Return on capital %</b>	<b>0.4%</b>	<b>1.6%</b>
<b>Subsidy from Council</b>	<b>89</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	51	212
<b>Surplus for dividend calculation purposes</b>	<b>51</b>	<b>212</b>
<b>Potential dividend calculated from surplus</b>	<b>26</b>	<b>106</b>

# Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

	2020 \$ '000	2019 \$ '000
<b>Income from continuing operations</b>		
Access charges	684	661
User charges	119	148
Interest	77	152
Grants and contributions provided for non-capital purposes	21	11
Other income	4	—
<b>Total income from continuing operations</b>	<b>905</b>	<b>972</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	217	174
Materials and contracts	364	282
Depreciation, amortisation and impairment	309	376
Loss on sale of assets	10	79
Other expenses	11	—
<b>Total expenses from continuing operations</b>	<b>911</b>	<b>911</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(6)</b>	<b>61</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(6)</b>	<b>61</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(6)</b>	<b>61</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	—	(17)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(6)</b>	<b>44</b>
<b>Plus accumulated surplus</b>	<b>12,498</b>	<b>12,437</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	—	17
<b>Closing accumulated surplus</b>	<b>12,492</b>	<b>12,498</b>
<b>Return on capital %</b>	<b>0.0%</b>	<b>0.5%</b>
<b>Subsidy from Council</b>	<b>119</b>	<b>106</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(6)	44
<b>Surplus for dividend calculation purposes</b>	<b>—</b>	<b>44</b>
<b>Potential dividend calculated from surplus</b>	<b>—</b>	<b>22</b>

## Income Statement – Quarry

for the year ended 30 June 2020

	2020 Category 2 \$ '000	2019 Category 2 \$ '000
<b>Income from continuing operations</b>		
User charges	1,813	2,227
Other income	330	–
<b>Total income from continuing operations</b>	<b>2,143</b>	<b>2,227</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	329	471
Materials and contracts	1,032	1,486
Depreciation, amortisation and impairment	231	254
<b>Total expenses from continuing operations</b>	<b>1,592</b>	<b>2,211</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>551</b>	<b>16</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>551</b>	<b>16</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>551</b>	<b>16</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(152)	(4)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>399</b>	<b>12</b>
<b>Plus accumulated surplus</b>	<b>6,178</b>	<b>6,162</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	152	4
<b>Closing accumulated surplus</b>	<b>6,729</b>	<b>6,178</b>
<b>Return on capital %</b>	<b>38.7%</b>	<b>0.9%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>8</b>

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

	2020 \$ '000	2019 \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	210	2,704
Investments	2,530	–
Receivables	447	387
<b>Total current assets</b>	<b>3,187</b>	<b>3,091</b>
<b>Non-current assets</b>		
Receivables	115	–
Infrastructure, property, plant and equipment	18,140	18,091
<b>Total non-current assets</b>	<b>18,255</b>	<b>18,091</b>
<b>TOTAL ASSETS</b>	<b>21,442</b>	<b>21,182</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	29	25
Income received in advance	64	47
<b>Total current liabilities</b>	<b>93</b>	<b>72</b>
<b>TOTAL LIABILITIES</b>	<b>93</b>	<b>72</b>
<b>NET ASSETS</b>	<b>21,349</b>	<b>21,110</b>
<b>EQUITY</b>		
Accumulated surplus	14,185	14,114
Revaluation reserves	7,164	6,996
<b>TOTAL EQUITY</b>	<b>21,349</b>	<b>21,110</b>



## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

	2020 \$ '000	2019 \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,522	5,751
Investments	4,131	–
Receivables	181	147
<b>Total current assets</b>	<b>5,834</b>	<b>5,898</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	12,845	12,643
<b>Total non-current assets</b>	<b>12,845</b>	<b>12,643</b>
<b>TOTAL ASSETS</b>	<b>18,679</b>	<b>18,541</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	103	76
<b>Total current liabilities</b>	<b>103</b>	<b>76</b>
<b>TOTAL LIABILITIES</b>	<b>103</b>	<b>76</b>
<b>NET ASSETS</b>	<b>18,576</b>	<b>18,465</b>
<b>EQUITY</b>		
Accumulated surplus	12,492	12,498
Revaluation reserves	6,084	5,967
<b>TOTAL EQUITY</b>	<b>18,576</b>	<b>18,465</b>

## Statement of Financial Position – Quarry

as at 30 June 2020

	2020 Category 2 \$ '000	2019 Category 2 \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,525	3,909
Receivables	164	94
Inventories	660	333
<b>Total current assets</b>	<b>5,349</b>	<b>4,336</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	1,423	1,856
<b>Total non-current assets</b>	<b>1,423</b>	<b>1,856</b>
<b>TOTAL ASSETS</b>	<b>6,772</b>	<b>6,192</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	43	14
<b>Total current liabilities</b>	<b>43</b>	<b>14</b>
<b>TOTAL LIABILITIES</b>	<b>43</b>	<b>14</b>
<b>NET ASSETS</b>	<b>6,729</b>	<b>6,178</b>
<b>EQUITY</b>		
Accumulated surplus	6,729	6,178
<b>TOTAL EQUITY</b>	<b>6,729</b>	<b>6,178</b>

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

### Note 1. Significant Accounting Policies

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

Council does not operate any Category 1 business activities.

##### Category 2

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

###### a. Water Supply Service

Comprising the whole of the water supply operations and net assets servicing Coonamble Shire.

###### b. Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing Coonamble Shire.

###### c. Quarry Operations

Extraction and production of road making materials.

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

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

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#### Monetary amounts

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

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – **27.5%**

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$850,000.

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

The payment of taxation equivalent charges, referred to in the DoI – Water guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

#### Income tax

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

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

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

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

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/is not 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.

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

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

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

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

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

#### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

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

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

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

#### (iv) Dividends

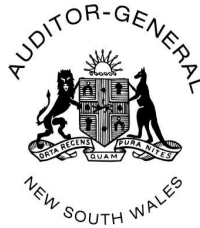
Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

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

#### Coonamble Shire Council

To the Councillors of Coonamble Shire Council

### Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Quarry.

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

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

### Emphasis of Matter - Basis of Accounting

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

### Other Information

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

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:


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

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

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

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

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



Manuel Moncada

Delegate of the Auditor-General for New South Wales

23 November 2020  
SYDNEY

# Coonamble Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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Special Schedules  
for the year ended 30 June 2020

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## Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2019/20 \$ '000
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	4,836	4,711
Plus or minus adjustments <sup>2</sup>	b	(1)	2
<b>Notional general income</b>	c = a + b	<b>4,835</b>	<b>4,713</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	126	127
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>4,961</b>	<b>4,840</b>
Plus (or minus) last year's carry forward total	l	7	5
Less valuation objections claimed in the previous year	m	—	(1)
<b>Sub-total</b>	n = (l + m)	<b>7</b>	<b>4</b>
<b>Total permissible income</b>	o = k + n	<b>4,968</b>	<b>4,844</b>
Less notional general income yield	p	4,982	4,836
<b>Catch-up or (excess) result</b>	q = o - p	<b>(14)</b>	<b>8</b>
Less unused catch-up <sup>4</sup>	s	1	(1)
<b>Carry forward to next year <sup>5</sup></b>	t = q + r + s	<b>(13)</b>	<b>7</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (4) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (5) 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

#### Coonamble Shire Council

To the Councillors of Coonamble Shire Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

## Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Manuel Moncada', with a stylized, sweeping flourish extending upwards and to the left.

Manuel Moncada

Delegate of the Auditor-General for New South Wales

23 November 2020  
SYDNEY

# Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings	1,009	2,724	295	149	20,731	31,852	6.0%	18.3%	48.0%	27.7%	0.0%
	Sub-total	1,009	2,724	295	149	20,731	31,852	6.0%	18.3%	48.0%	27.7%	0.0%
Other structures	Other structures	901	1,841	102	108	13,025	19,509	9.5%	17.4%	51.6%	21.5%	0.0%
	Sub-total	901	1,841	102	108	13,025	19,509	9.5%	17.4%	51.6%	21.5%	0.0%
Roads	Sealed roads	1,744	10,955	595	736	84,437	127,351	18.0%	73.4%	6.7%	0.6%	1.4%
	Unsealed roads	3,939	8,070	895	1,563	92,278	111,930	7.2%	9.7%	82.8%	0.4%	0.0%
	Bridges	—	—	25	2	22,125	25,901	71.8%	28.2%	0.0%	0.0%	0.0%
	Footpaths	4	62	90	151	1,340	1,814	70.2%	28.6%	1.2%	0.0%	0.0%
	Bulk earthworks	—	—	5	13	6,640	6,640	0.0%	0.0%	0.0%	0.0%	100.0%
	Other	22	156	10	—	5,541	246,557	46.7%	29.5%	21.0%	2.5%	0.4%
	Sub-total	5,709	19,243	1,620	2,465	212,361	520,193	31.9%	35.5%	29.4%	1.4%	1.8%
Water supply network	Water supply network	220	440	260	514	18,140	26,079	35.0%	5.0%	60.0%	0.0%	0.0%
	Sub-total	220	440	260	514	18,140	26,079	35.0%	5.0%	60.0%	0.0%	0.0%
Sewerage network	Sewerage network	160	320	222	482	12,771	28,442	35.0%	5.0%	60.0%	0.0%	0.0%
	Sub-total	160	320	222	482	12,771	28,442	35.0%	5.0%	60.0%	0.0%	0.0%
Stormwater drainage	Stormwater drainage	62	179	20	3	7,582	12,013	1.7%	7.6%	87.8%	0.6%	2.3%
	Sub-total	62	179	20	3	7,582	12,013	1.7%	7.6%	87.8%	0.6%	2.3%
Other infrastructure assets	Land Improvements	—	—	8	52	891	1,000	0.0%	100.0%	0.0%	0.0%	0.0%
	Sub-total	—	—	8	52	891	1,000	0.0%	100.0%	0.0%	0.0%	0.0%
TOTAL - ALL ASSETS		8,061	24,747	2,527	3,773	285,501	639,088	29.6%	31.1%	34.7%	3.2%	1.5%

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

## Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

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### Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio <sup>1</sup>					
Asset renewals <sup>2</sup>	2,696	50.61%	172.25%	113.25%	>=100.00%
Depreciation, amortisation and impairment	5,327				
Infrastructure backlog ratio <sup>1</sup>					
Estimated cost to bring assets to a satisfactory standard	8,061	2.83%	2.77%	0.80%	<2.00%
Net carrying amount of infrastructure assets	284,610				
Asset maintenance ratio					
Actual asset maintenance	3,773	149.31%	124.41%	172.40%	>100.00%
Required asset maintenance	2,527				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	24,747	3.87%	2.04%	0.62%	
Gross replacement cost	639,088				

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

(1) Excludes Work In Progress (WIP)

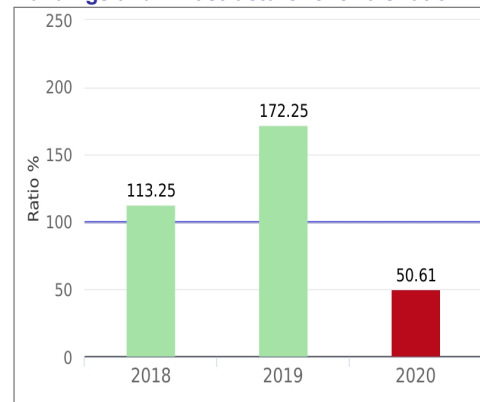
(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.



## 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 50.61%

Due to a combination of COVID-19 and the prevailing climatic conditions experienced throughout the later half of the year Council's delivery of its infrastructure renewal program was detrimentally impacted, with some projects delayed and others postponed. Plans have been put in place for the 2020-21 year to bring the renewal up to the benchmark.

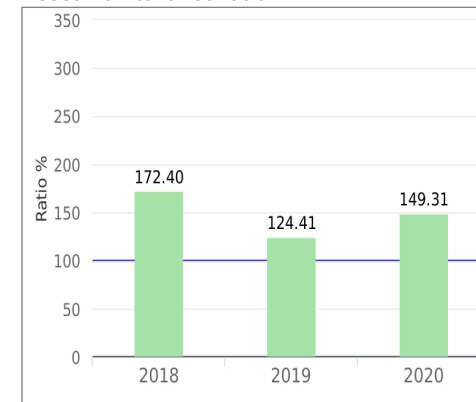
Benchmark: —  $\geq 100.00\%$ 

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 149.31%

Council continues to sufficiently fund the maintenance of its assets ensuring assets conditions are maintained in a satisfactory condition.

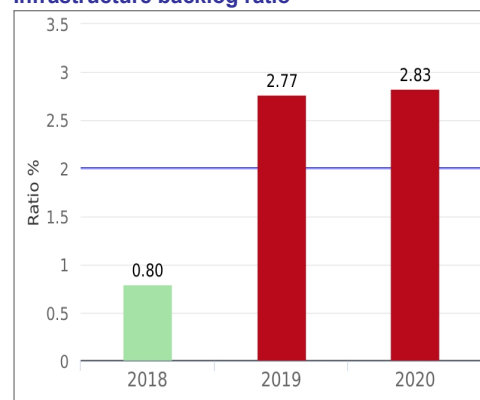
Benchmark: —  $> 100.00\%$ 

Ratio achieves benchmark

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

Ratio is outside benchmark

## Infrastructure backlog ratio



## Infrastructure backlog ratio

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

## Commentary on result

19/20 ratio 2.83%

Council's Infrastructure backlog ratio has increased slightly from the 2019 result. During the 2020/21 year Council will review its building and infrastructure renewals program to work towards bringing this ratio under the agreed benchmark.

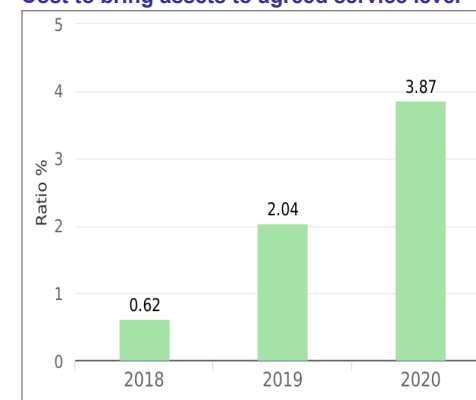
Benchmark: —  $< 2.00\%$ 

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 3.87%

Due to the communities expectation of higher levels of service from Council assets that this ratio is indeed higher than Councils infrastructure backlog ratio. During the 2020/21 year Council will review its building and infrastructure renewals program to work towards improving this ratio.

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio <sup>1</sup>							
Asset renewals <sup>2</sup>							
Depreciation, amortisation and impairment	49.33%	177.95%	85.05%	174.49%	26.54%	113.60%	>=100.00%
Infrastructure backlog ratio <sup>1</sup>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	3.03%	2.96%	1.21%	1.22%	1.25%	1.27%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	135.79%	99.56%	197.69%	245.05%	217.12%	349.06%	>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	4.10%	2.25%	1.69%	0.86%	1.13%	0.57%	

(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.