

# Lockhart Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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Lockhart  
Shire Council

# Lockhart Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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Lockhart  
Shire Council

# General Purpose Financial Statements

for the year ended 30 June 2020

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## Overview

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

65 Green Street  
LOCKHART NSW 2656

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

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

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

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

## General Purpose Financial Statements

for the year ended 30 June 2020

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

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

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

## General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 21 September 2020.



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Clr Rodger Schirmer  
Mayor  
21 September 2020



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Clr Greg Verdon  
Councillor  
21 September 2020



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Peter Veneris  
General Manager  
21 September 2020



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Craig Fletcher  
Responsible Accounting Officer  
21 September 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Income from continuing operations</b>				
3,496	Rates and annual charges	3a	3,465	3,352
391	User charges and fees	3b	528	696
71	Other revenues	3c	258	239
6,813	Grants and contributions provided for operating purposes	3d,3e	6,869	6,758
4,611	Grants and contributions provided for capital purposes	3d,3e	4,061	2,104
175	Interest and investment income	4	114	227
125	Rental income	12c	122	–
–	Net share of interests in joint ventures and associates using the equity method	17	2	8
15,682	<b>Total income from continuing operations</b>		15,419	13,384
<b>Expenses from continuing operations</b>				
2,828	Employee benefits and on-costs	5a	3,205	3,161
179	Borrowing costs	5b	168	194
2,187	Materials and contracts	5c	1,759	2,031
3,258	Depreciation and amortisation	5d	3,807	3,384
1,397	Other expenses	5e	1,466	1,448
–	Net losses from the disposal of assets	6	796	635
9,849	<b>Total expenses from continuing operations</b>		11,201	10,853
5,833	<b>Operating result from continuing operations</b>		4,218	2,531
5,833	<b>Net operating result for the year</b>		4,218	2,531
5,833	Net operating result attributable to council		4,218	2,531
1,222	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		157	427

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>4,218</b>	<b>2,531</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	(1,452)	(1,800)
Other comprehensive income – joint ventures and associates	17	(48)	(1)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(1,500)</b>	<b>(1,801)</b>
<b>Total other comprehensive income for the year</b>		<b>(1,500)</b>	<b>(1,801)</b>
<b>Total comprehensive income for the year</b>		<b>2,718</b>	<b>730</b>
Total comprehensive income attributable to Council		2,718	730

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

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

## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	7,609	8,284
Receivables	8	1,086	432
Inventories	9a	1,761	2,349
Other	9b	3	5
<b>Total current assets</b>		<u>10,459</u>	<u>11,070</u>
<b>Non-current assets</b>			
Receivables	8	41	49
Inventories	9a	–	8
Infrastructure, property, plant and equipment	10	231,811	228,797
Investments accounted for using the equity method	17	106	152
<b>Total non-current assets</b>		<u>231,958</u>	<u>229,006</u>
<b>Total assets</b>		<u>242,417</u>	<u>240,076</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	13	493	849
Income received in advance	13	–	13
Contract liabilities	11	438	–
Borrowings	13	161	154
Provisions	14	897	961
<b>Total current liabilities</b>		<u>1,989</u>	<u>1,977</u>
<b>Non-current liabilities</b>			
Payables	13	3	2
Borrowings	13	3,523	3,673
Provisions	14	91	63
<b>Total non-current liabilities</b>		<u>3,617</u>	<u>3,738</u>
<b>Total liabilities</b>		<u>5,606</u>	<u>5,715</u>
<b>Net assets</b>		<u>236,811</u>	<u>234,361</u>
<b>EQUITY</b>			
Accumulated surplus	15	214,265	210,363
Revaluation reserves	15	22,546	23,998
<b>Council equity interest</b>		<u>236,811</u>	<u>234,361</u>
<b>Total equity</b>		<u>236,811</u>	<u>234,361</u>

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

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



## Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		210,363	23,998	234,361	207,833	25,798	233,631
Changes due to AASB 1058 and AASB 15 adoption	15	(268)	–	(268)	–	–	–
Changes due to AASB 16 adoption	15	–	–	–	–	–	–
<b>Opening balance</b>		<b>210,095</b>	<b>23,998</b>	<b>234,093</b>	<b>207,833</b>	<b>25,798</b>	<b>233,631</b>
Net operating result for the year		4,218	–	4,218	2,531	–	2,531
<b>Net operating result for the period</b>		<b>4,218</b>	<b>–</b>	<b>4,218</b>	<b>2,531</b>	<b>–</b>	<b>2,531</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10	–	(1,452)	(1,452)	–	(1,800)	(1,800)
– Joint ventures and associates	17	(48)	–	(48)	(1)	–	(1)
<b>Other comprehensive income</b>		<b>(48)</b>	<b>(1,452)</b>	<b>(1,500)</b>	<b>(1)</b>	<b>(1,800)</b>	<b>(1,801)</b>
<b>Total comprehensive income</b>		<b>4,170</b>	<b>(1,452)</b>	<b>2,718</b>	<b>2,530</b>	<b>(1,800)</b>	<b>730</b>
<b>Equity – balance at end of the reporting period</b>		<b>214,265</b>	<b>22,546</b>	<b>236,811</b>	<b>210,363</b>	<b>23,998</b>	<b>234,361</b>

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

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

## Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
3,496	Rates and annual charges		3,449	3,328
391	User charges and fees		402	733
175	Investment and interest revenue received		141	197
11,425	Grants and contributions		10,568	8,878
–	Bonds, deposits and retention amounts received		33	42
196	Other		1,498	1,026
<i>Payments:</i>				
(2,828)	Employee benefits and on-costs		(3,252)	(3,338)
(2,187)	Materials and contracts		(2,338)	(2,596)
(179)	Borrowing costs		(165)	(194)
–	Bonds, deposits and retention amounts refunded		(57)	–
(1,397)	Other		(2,332)	(1,954)
<b>9,092</b>	<b>Net cash provided (or used in) operating activities</b>	16b	<b>7,947</b>	<b>6,122</b>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
–	Sale of investment securities		–	4,050
–	Sale of real estate assets		554	184
255	Sale of infrastructure, property, plant and equipment		296	276
8	Deferred debtors receipts		13	13
<i>Payments:</i>				
–	Purchase of investment securities		–	(4,050)
(9,486)	Purchase of infrastructure, property, plant and equipment		(9,339)	(9,595)
–	Purchase of real estate assets		(3)	(61)
<b>(9,223)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(8,479)</b>	<b>(9,183)</b>
<b>Cash flows from financing activities</b>				
<i>Payments:</i>				
(190)	Repayment of borrowings and advances		(143)	(158)
<b>(190)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(143)</b>	<b>(158)</b>
<b>(321)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(675)</b>	<b>(3,219)</b>
7,500	Plus: cash and cash equivalents – beginning of year	16a	8,284	11,503
<b>7,179</b>	<b>Cash and cash equivalents – end of the year</b>	16a	<b>7,609</b>	<b>8,284</b>

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

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

## 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 21 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.

#### Covid 19 Impacts

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 1. Basis of preparation (continued)

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

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

(i) Impairment of receivables

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

**Monies and other assets received by Council****(a) The Consolidated Fund**

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

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

- General purpose operations
- Sewerage service
- The Rock Showground Management Committee

Due to their immaterial value and nature, the following Committees Entities & Operations have been excluded from consolidation:

- Bidgeemia Hall Committee
- Lockhart & District Historical Society
- Lockhart Recreation Ground Management Committee
- Lockhart Showground & Racecourse Management Committee
- The Rock Hall and Museum Committee
- The Rock Recreation Ground Management Committee
- Magnolia Lodge Tenancy Advisory Committee
- Milbrulong Hall Committee
- Tootool Recreation Reserve Committee
- Tootool Roadside Rest Stop Committee
- Tourism & Economic Development Committee
- Osborne Recreation Ground Management Committee
- Pleasant Hill Recreation Ground Management Committee
- Pleasant Hills Hall Committee
- Yerong Creek Hall Committee
- Yerong Creek Recreation Ground Management Committee

The (i) total income and expenditure from continuing operations and (ii) net assets held by these excluded committees and operations is as follows:

**Total income from continuing operations** \$266,000

**Total expenditure from continuing operations** \$245,000

**Total net assets held (i.e. equity)** \$255,000

**Note:** Where actual figures are not known, best estimates have been applied.

**(b) The Trust Fund**

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

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

The following Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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- Prichard Trust.

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

#### Goods and Services Tax (GST)

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

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

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

#### New accounting standards and interpretations issued not yet effective

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Governance	–	–	192	188	(192)	(188)	–	–	–	–
Administration	71	164	2,030	2,521	(1,959)	(2,357)	3	104	11,237	11,546
Public Order & Safety	170	55	241	252	(71)	(197)	44	55	831	734
Environment	1,996	1,786	1,245	861	751	925	1,223	1,080	694	722
Community Services & Education	230	179	190	154	40	25	28	41	–	–
Housing & Community Amenities	180	130	244	231	(64)	(101)	4	–	4,740	3,724
Sewerage Services	630	509	593	607	37	(98)	73	–	11,432	12,266
Recreation & Culture	767	1,142	1,441	1,337	(674)	(195)	766	1,053	11,211	10,708
Mining, manufacturing and construction	6	2	5	19	1	(17)	–	–	–	–
Transport and communication	5,073	2,778	4,717	4,225	356	(1,447)	3,744	1,217	198,974	196,470
Economic Affairs	127	400	303	458	(176)	(58)	–	23	3,254	3,861
General purpose income	6,169	6,231	–	–	6,169	6,231	3,674	3,675	–	–
Other	–	8	–	–	–	8	–	–	44	45
<b>Total functions and activities</b>	<b>15,419</b>	<b>13,384</b>	<b>11,201</b>	<b>10,853</b>	<b>4,218</b>	<b>2,531</b>	<b>9,559</b>	<b>7,248</b>	<b>242,417</b>	<b>240,076</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### **GOVERNANCE**

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (e.g. GIPA), and legislative compliance.

#### **ADMINISTRATION**

Includes corporate support and other support services, engineering administration, and any Council policy compliance.

#### **PUBLIC ORDER AND SAFETY**

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

#### **ENVIRONMENT**

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; town planning; building control; and, street cleaning, drainage and stormwater management.

#### **COMMUNITY SERVICES AND EDUCATION**

Includes administration and education; social protection (welfare); and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children services, including out of school care service; child care; and other family and children services.

#### **HOUSING AND COMMUNITY AMENITIES**

Includes public cemeteries; public conveniences; street lighting; other community amenities, including housing development and accommodation for youth, aged and disabled persons.

#### **SEWERAGE SERVICES**

Includes the provision of reticulated sewerage and common effluent services.

#### **RECREATION AND CULTURE**

Includes public libraries; museums; community centres and public halls; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

#### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes quarries and pits, 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; 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

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	388	379
Farmland	1058 (1)	1,987	1,933
Business	1058 (1)	103	103
Less: pensioner rebates (mandatory)	1058 (1)	(32)	(32)
<b>Rates levied to ratepayers</b>		<b>2,446</b>	<b>2,383</b>
Pensioner rate subsidies received	1058 (1)	18	17
<b>Total ordinary rates</b>		<b>2,464</b>	<b>2,400</b>
<b>Annual charges</b>			
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>			
Domestic waste management services	1058 (1)	399	389
Sewerage services	1058 (1)	521	483
Waste management services (non-domestic)	1058 (1)	106	104
Less: pensioner rebates (mandatory)	1058 (1)	(54)	(54)
<b>Annual charges levied</b>		<b>972</b>	<b>922</b>
Pensioner subsidies received:			
– Sewerage	1058 (1)	11	10
– Domestic waste management	1058 (1)	18	20
<b>Total annual charges</b>		<b>1,001</b>	<b>952</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>3,465</b>	<b>3,352</b>

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

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

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

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

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

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

**Accounting policy for rates and charges**

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

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

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

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

**2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Sewerage services	15 (1)	5	12
<b>Total specific user charges</b>		<b>5</b>	<b>12</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Inspection services	15 (1)	7	17
Planning and building regulation	15 (1)	30	34
Private works – section 67	15 (1)	24	260
Regulatory/ statutory fees	15 (1)	3	–
Section 10.7 certificates (EP&A Act)	15 (1)	5	6
Section 603 certificates	15 (1)	6	6
Town planning	15 (1)	49	33
Tipping fees	15 (1)	33	35
<b>Total fees and charges – statutory/regulatory</b>		<b>157</b>	<b>391</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Caravan park	15 (1)	78	83
Cemeteries	15 (1)	72	45
Quarry revenues	15 (1)	6	2
RockOOSH fees	15 (1)	202	138
Scrap metal sales – from tips	15 (1)	–	18
Other	15 (1)	8	7
<b>Total fees and charges – other</b>		<b>366</b>	<b>293</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>528</b>	<b>696</b>

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

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

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

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

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

**Accounting policy for user charges and fees**

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

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

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

**2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Rental income – other council properties (2019 only)	15 (1)	–	35
Diesel rebate	1058 (1)	61	52
Recycling income (non-domestic)	15 (1)	6	–
Garbage bins sales	15 (1)	4	5
CDS Share Kurrajong Recycling Funding	15 (1)	–	12
Employee contribution to vehicle	15 (1)	7	6
Foodshop inspection	15 (1)	–	2
Insurance policy rebates/dividend	1058 (1)	26	27
Magnolia entry fees	15 (1)	5	–
Housing Rent (2019 only)		–	85
RFS reimbursement	1058 (1)	130	–
Other	15 (1)	19	15
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>258</u></b>	<b><u>239</u></b>

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

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

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

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

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

**Accounting policy for other revenue**

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

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

**2019 accounting policy:**

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

Fines are recognised as revenue when the fine is paid.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	1,106	1,128	–	–
Financial assistance – local roads component	1058 (1)	678	676	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	1058 (1)	1,171	1,174	–	–
Financial assistance – local roads component	1058 (1)	719	697	–	–
<b>Total general purpose</b>		<b>3,674</b>	<b>3,675</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Sewerage services	1058 (1)	–	–	73	–
Bushfire and emergency services	1058 (1)	36	18	–	–
Employment and training programs	1058 (1)	3	7	–	–
Environmental programs	1058 (2)	–	–	742	817
Heritage and cultural	1058 (1)	4	5	–	–
Library	1058 (1)	66	22	–	–
Noxious weeds	1058 (1)	55	60	–	–
Street lighting	1058 (1)	4	4	–	–
Transport (roads to recovery)	1058 (1)	1,270	741	–	–
Transport (fixing country roads)	1058 (2)	–	–	498	462
Back to business grant	1058 (1)	–	5	–	–
Country passenger transport grant	1058 (1)	–	–	–	10
Fire protection – hazard reduction	1058 (1)	3	36	–	–
Food & Organics Grant	1058 (1)	88	60	–	–
Flood mitigation voluntary purchase	1058 (1)	223	16	–	–
Galore hill grant		–	7	–	–
Heavy vehicle safety & productivity programme	1058 (2)	–	–	400	–
Heritage fund submission	1058 (1)	5	4	–	–
Local lands service – galore hill grants		–	10	–	–
Lockhart Show ground – Pavillion upgrade		–	28	–	–
NSWEPA Project Improvement Program	1058 (2)	111	111	–	–
Museum advisor	1058 (1)	12	10	–	–
Heritage Local Projects		–	97	–	–
Museum upgrade		–	73	–	–
Pleasant hills hall grant	1058 (1)	7	–	–	–
RockOOSH sustainability grants	1058 (1)	27	35	–	–
Everyone Can Play Grant	1058 (2)	–	15	85	–
Stronger Country Communities Pools	1058 (2)	–	–	520	504
Youth activities	1058 (1)	2	6	–	–
Regional Arts – Water Tower Mural	1058 (1)	7	18	–	–
Crown Land Management Plan		–	74	–	–
Stronger Country Community Fund Rd2	1058 (2)	–	–	60	289
Growing Local Economy	1058 (2)	–	–	1,576	–
Other	1058 (1)	8	29	–	–
<b>Total specific purpose</b>		<b>1,931</b>	<b>1,491</b>	<b>3,954</b>	<b>2,082</b>
<b>Total grants</b>		<b>5,605</b>	<b>5,166</b>	<b>3,954</b>	<b>2,082</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		4,971	4,451	25	–
– State funding		623	687	3,929	2,082
– Other funding		11	28	–	–
		<u>5,605</u>	<u>5,166</u>	<u>3,954</u>	<u>2,082</u>

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

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

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

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

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

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions:</b>						
<b>(s7.4 &amp; s7.12 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.12 – fixed development consent levies		1058 (1)	–	–	103	22
<b>Total developer contributions – cash</b>			<u>–</u>	<u>–</u>	<u>103</u>	<u>22</u>
<b>Total developer contributions</b>	24		<u>–</u>	<u>–</u>	<u>103</u>	<u>22</u>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
RMS contributions (regional roads, block grant)		1058 (1)	914	894	–	–
RMS RRRP grant		1058 (1)	169	195	–	–
RMS regional roads traffic facilities		1058 (1)	71	70	–	–
RMS regional roads supplementary		1058 (1)	101	101	–	–
Pedestrian access and mobility plan		1058 (1)	9	–	–	–
The Rock Observatory		15 (1)	–	55	–	–
RMS Drought Relief Heavy Vehicles			–	249	–	–
Other			–	28	–	–
<b>Total other contributions – cash</b>			<u>1,264</u>	<u>1,592</u>	<u>–</u>	<u>–</u>
<b>Non-cash contributions</b>						
Other			–	–	4	–
<b>Total other contributions – non-cash</b>			<u>–</u>	<u>–</u>	<u>4</u>	<u>–</u>
<b>Total other contributions</b>			<u>1,264</u>	<u>1,592</u>	<u>4</u>	<u>–</u>
<b>Total contributions</b>			<u>1,264</u>	<u>1,592</u>	<u>107</u>	<u>22</u>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<u>6,869</u>	<u>6,758</u>	<u>4,061</u>	<u>2,104</u>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### Accounting policy for grants and contributions

##### Accounting policy from 1 July 2019

##### Grant income under AASB 15

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

The performance obligations are varied based on the agreement but include such things as completion of milestones. 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

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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.

\$ '000	2020	2019
<b>(f) Unspent grants and contributions – external restrictions</b>		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	214	58
<b>Add:</b> operating grants recognised as income in the current period but not yet spent	4	214
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(165)	(58)
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>53</b>	<b>214</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	213	–
<b>Add:</b> capital grants recognised as income in the current period but not yet spent	–	213
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(213)	–
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>–</b>	<b>213</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	173	273
<b>Add:</b> contributions recognised as income in the current period but not yet spent	108	80
<b>Less:</b> contributions recognised in a previous reporting period now spent	(76)	(180)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>205</b>	<b>173</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	16	14
– Cash and investments	98	213
<b>Total Interest and investment income</b>	<b>114</b>	<b>227</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	12	11
General Council cash and investments	59	191
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	5	3
Sewerage fund operations	38	22
<b>Total interest and investment revenue</b>	<b>114</b>	<b>227</b>

**Accounting policy for interest and investment revenue**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	3,338	3,108
Employee leave entitlements (ELE)	487	479
Superannuation	341	355
Workers' compensation insurance	108	122
Fringe benefit tax (FBT)	46	50
<b>Total employee costs</b>	<b>4,320</b>	<b>4,114</b>
Less: capitalised costs	(1,115)	(953)
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>	<b><u>3,205</u></b>	<b><u>3,161</u></b>
Number of 'full-time equivalent' employees (FTE) at year end	53	51

**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 18 for more information.

\$ '000	2020	2019
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on loans	168	194
<b>Total interest bearing liability costs</b>	<b>168</b>	<b>194</b>
<b>Total interest bearing liability costs expensed</b>	<b>168</b>	<b>194</b>
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>	<b><u>168</u></b>	<b><u>194</u></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)

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	1,469	1,875
Contractor and consultancy costs	205	105
Auditors remuneration <sup>2</sup>	49	51
<b>Legal expenses:</b>		
– Legal expenses: other	2	–
Expenses from leases of low value assets (2020 only)	31	–
Variable lease expense relating to usage (2020 only)	3	–
<b>Total materials and contracts</b>	<u>1,759</u>	<u>2,031</u>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<u>1,759</u>	<u>2,031</u>

**Accounting policy for materials and contracts**

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

**Operating leases (2019 only)**

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

**2. Auditor remuneration**

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

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

Audit and review of financial statements	37	29
<b>Remuneration for audit and other assurance services</b>	<u>37</u>	<u>29</u>

**Total Auditor-General remuneration**

	<u>37</u>	<u>29</u>
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**Non NSW Auditor-General audit firms****(i) Audit and other assurance services**

Internal Audit	12	22
<b>Remuneration for audit and other assurance services</b>	<u>12</u>	<u>22</u>

**Total remuneration of non NSW Auditor-General audit firms**

	<u>12</u>	<u>22</u>
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<b>Total Auditor remuneration</b>	<u>49</u>	<u>51</u>
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## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		507	595
Office equipment		20	16
Furniture and fittings		7	8
<b>Infrastructure:</b>	10		
– Buildings – non-specialised		111	101
– Buildings – specialised		318	290
– Other structures		9	8
– Roads		2,357	2,008
– Bridges		49	43
– Footpaths		33	34
– Stormwater drainage		6	6
– Sewerage network		206	209
– Swimming pools		118	3
– Other open space/recreational assets		66	63
<b>Total gross depreciation and amortisation costs</b>		<u>3,807</u>	<u>3,384</u>
<b>Total depreciation and amortisation costs</b>		<u>3,807</u>	<u>3,384</u>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<u>3,807</u>	<u>3,384</u>

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

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

**Impairment of non-financial assets**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(e) Other expenses</b>		
Advertising	16	18
Training costs (other than salaries and wages)	31	54
Travel expenses	92	105
Bank charges	15	16
Cleaning	20	16
Computer software and maintenance	154	116
Contributions/levies to other levels of government		
– Emergency services levy	5	4
– NSW fire brigade levy	19	17
– NSW rural fire service levy	197	157
– Contribution – REROC	53	18
– Contribution – Riverina Regional Library	133	112
– Contribution – sec 355 committees	81	59
– Contribution – sec 356	70	61
– Other contributions/levies	4	4
Councillor expenses – mayoral fee	27	26
Councillor expenses – councillors' fees	96	94
Councillors' expenses (incl. mayor) – other (excluding fees above)	20	21
Electricity and heating	94	99
Fire control expenses	2	1
Insurance	140	131
Newsletter	4	10
Office supplies and stationery	15	15
Postage	13	13
Printing and photocopying	2	37
Street lighting	46	55
Subscriptions and memberships	19	42
Telephone and communications	43	40
Tourism expenses (excluding employee costs)	26	46
Valuation fees	20	26
Other	9	35
<b>Total other expenses</b>	<b>1,466</b>	<b>1,448</b>
<b>TOTAL OTHER EXPENSES</b>	<b>1,466</b>	<b>1,448</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

\$ '000	Notes	2020	2019
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		–	–
Less: carrying amount of property assets sold/written off		(70)	–
<b>Net gain/(loss) on disposal</b>		<b>(70)</b>	<b>–</b>
<b>Plant and equipment</b>			
	10		
Proceeds from disposal – plant and equipment		296	276
Less: carrying amount of plant and equipment assets sold/written off		(458)	(294)
<b>Net gain/(loss) on disposal</b>		<b>(162)</b>	<b>(18)</b>
<b>Infrastructure</b>			
	10		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(538)	(547)
<b>Net gain/(loss) on disposal</b>		<b>(538)</b>	<b>(547)</b>
<b>Real estate assets held for sale</b>			
	9		
Proceeds from disposal – real estate assets		554	184
Less: carrying amount of real estate assets sold/written off		(580)	(254)
<b>Net gain/(loss) on disposal</b>		<b>(26)</b>	<b>(70)</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(796)</b>	<b>(635)</b>

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	1,209	834
Cash-equivalent assets		
– Deposits at call	1,000	1,500
– Short-term deposits	5,400	5,950
<b>Total cash and cash equivalents</b>	<b>7,609</b>	<b>8,284</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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
<b>attributable to:</b>				
External restrictions	2,839	–	2,567	–
Internal restrictions	4,622	–	5,548	–
Unrestricted	148	–	169	–
	<u>7,609</u>	<u>–</u>	<u>8,284</u>	<u>–</u>

\$ '000	2020	2019
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended grants – general fund (2020 only)	343	–
Special purpose unexpended contributions	95	–

**External restrictions – included in liabilities**

	<u>438</u>	<u>–</u>
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**External restrictions – other**

Developer contributions – general	205	112
Developer contributions – sewer fund	–	6
Specific purpose unexpended grants (recognised as revenue) – general fund	53	427
Sewerage services	2,143	1,967
Other	–	55

**External restrictions – other**

	<u>2,401</u>	<u>2,567</u>
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**Total external restrictions**

	<u>2,839</u>	<u>2,567</u>
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**Internal restrictions**

Plant and vehicle replacement	13	13
Employees leave entitlement	831	741
Systems & IT Improvements	177	217
Advance financial assistance – general	1,171	1,158
Advance financial assistance – roads	720	713
Economic development	75	75
Future election expenses	18	12
Galore Hill reserve	16	16
Lockhart recreation ground	10	10
Buildings	139	134
Rehabilitation Reserve	245	239
Disaster Recovery	396	385
Future Infrastructure Development	800	1,000
Borrowed Funds – Pools	–	828
Community Financial Assist S356	11	7

**Total internal restrictions**

	<u>4,622</u>	<u>5,548</u>
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**TOTAL RESTRICTIONS**

	<u>7,461</u>	<u>8,115</u>
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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	254	–	238	–
User charges and fees	155	–	16	–
Accrued revenues				
– Interest on investments	11	–	38	–
Deferred debtors	8	41	13	49
Government grants and subsidies	627	–	89	–
Net GST receivable	29	–	–	–
Other debtors	2	–	38	–
<b>Total</b>	<b>1,086</b>	<b>41</b>	<b>432</b>	<b>49</b>
<b>TOTAL NET RECEIVABLES</b>	<b>1,086</b>	<b>41</b>	<b>432</b>	<b>49</b>

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year	–	95
– amounts already provided for and written off this year	–	(95)
<b>Balance at the end of the year</b>	<b>–</b>	<b>–</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.

##### Impairment

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

#### **Covid 19**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	1,335	–	1,904	8
Stores and materials	426	–	445	–
<b>Total inventories at cost</b>	<b>1,761</b>	<b>–</b>	<b>2,349</b>	<b>8</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>1,761</u></b>	<b><u>–</u></b>	<b><u>2,349</u></b>	<b><u>8</u></b>
<b>(b) Other assets</b>				
Prepayments	3	–	5	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>3</u></b>	<b><u>–</u></b>	<b><u>5</u></b>	<b><u>–</u></b>

#### (i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Details for real estate development</b>					
Residential		707	–	1,268	8
Industrial/commercial		628	–	636	–
<b>Total real estate for resale</b>		<b>1,335</b>	<b>–</b>	<b>1,904</b>	<b>8</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		1,015	–	1,444	8
Development costs		320	–	460	–
<b>Total costs</b>		<b>1,335</b>	<b>–</b>	<b>1,904</b>	<b>8</b>
<b>Total real estate for resale</b>		<b>1,335</b>	<b>–</b>	<b>1,904</b>	<b>8</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		1,904	8	2,121	8
– Purchases and other costs		11	(8)	61	–
– Transfers in from (out to) Note 11		–	–	(24)	–
– WDV of sales (expense)	6	(580)	–	(254)	–
<b>Total real estate for resale</b>		<b>1,335</b>	<b>–</b>	<b>1,904</b>	<b>8</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

\$ '000	2020	2019
Real estate for resale	897	1,043
	897	1,043

**Accounting policy for inventories and other assets****Raw materials and stores, work in progress and finished goods**

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

**Land held for resale/capitalisation of borrowing costs**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/19			Asset movements during the reporting period						as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>(1)</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	1,711	–	1,711	–	112	–	–	(1,711)	–	112	–	112
Plant and equipment	6,649	(2,430)	4,219	–	943	(453)	(507)	–	–	6,775	(2,573)	4,202
Office equipment	242	(124)	118	–	56	(5)	(20)	–	–	259	(110)	149
Furniture and fittings	154	(102)	52	–	2	–	(7)	–	–	156	(109)	47
<b>Land:</b>												
– Operational land	1,573	–	1,573	–	2	(70)	–	–	–	1,505	–	1,505
– Community land	1,947	–	1,947	–	20	–	–	–	–	1,967	–	1,967
<b>Infrastructure:</b>												
– Buildings – non-specialised	6,656	(2,178)	4,478	14	–	–	(111)	–	–	6,669	(2,288)	4,381
– Buildings – specialised	14,850	(6,806)	8,044	28	158	(13)	(318)	170	–	15,173	(7,104)	8,069
– Other structures	315	(100)	215	–	5	–	(9)	–	–	321	(110)	211
– Roads	212,072	(32,186)	179,886	4,031	1,845	(514)	(2,357)	465	(524)	219,781	(36,949)	182,832
– Bridges	4,853	(1,667)	3,186	–	–	–	(49)	–	–	4,853	(1,716)	3,137
– Footpaths	1,774	(796)	978	–	19	(2)	(33)	–	(19)	1,771	(828)	943
– Bulk earthworks (non-depreciable)	7,080	–	7,080	–	–	–	–	–	–	7,080	–	7,080
– Stormwater drainage	2,160	(99)	2,061	–	1,096	–	(6)	21	(62)	3,215	(105)	3,110
– Sewerage network	16,754	(6,525)	10,229	–	35	–	(206)	–	(836)	15,614	(6,392)	9,222
– Swimming pools	2,911	(774)	2,137	–	674	(9)	(118)	1,055	–	3,889	(150)	3,739
– Other open space/recreational assets	2,674	(1,791)	883	–	299	–	(66)	–	(11)	2,958	(1,853)	1,105
<b>Total Infrastructure, property, plant and equipment</b>	<b>284,375</b>	<b>(55,578)</b>	<b>228,797</b>	<b>4,073</b>	<b>5,266</b>	<b>(1,066)</b>	<b>(3,807)</b>	<b>–</b>	<b>(1,452)</b>	<b>292,098</b>	<b>(60,287)</b>	<b>231,811</b>

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

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

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

	as at 30/06/18			Asset movements during the reporting period										as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 9)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount	
<b>\$ '000</b>																
Capital work in progress	2,568	–	2,568	–	1,256	–	–	(2,113)	–	–	–	–	1,711	–	1,711	
Plant and equipment	6,250	(2,198)	4,052	–	1,056	(294)	(595)	–	–	–	–	–	6,649	(2,430)	4,219	
Office equipment	197	(108)	89	–	45	–	(16)	–	–	–	–	–	242	(124)	118	
Furniture and fittings	152	(94)	58	–	2	–	(8)	–	–	–	–	–	154	(102)	52	
<b>Land:</b>																
– Operational land	1,529	–	1,529	–	–	–	–	–	18	24	–	2	1,573	–	1,573	
– Community land	1,940	–	1,940	–	–	–	–	–	(18)	–	–	25	1,947	–	1,947	
<b>Infrastructure:</b>																
– Buildings – non-specialised	6,617	(2,077)	4,540	–	39	–	(101)	–	–	–	–	–	6,656	(2,178)	4,478	
– Buildings – specialised	14,004	(6,687)	7,317	644	285	(39)	(290)	127	–	–	–	–	14,850	(6,806)	8,044	
– Other structures	298	(92)	206	–	17	–	(8)	–	–	–	–	–	315	(100)	215	
– Roads	212,237	(30,872)	181,365	1,839	615	(483)	(2,008)	–	–	–	(1,442)	–	212,072	(32,186)	179,886	
– Bridges	3,653	(1,376)	2,277	525	680	–	(43)	–	–	–	(253)	–	4,853	(1,667)	3,186	
– Footpaths	1,756	(767)	989	–	–	(23)	(34)	–	–	–	–	46	1,774	(796)	978	
– Bulk earthworks (non-depreciable)	7,080	–	7,080	–	–	–	–	–	–	–	–	–	7,080	–	7,080	
– Stormwater drainage	1,182	(93)	1,089	–	978	–	(6)	–	–	–	–	–	2,160	(99)	2,061	
– Sewerage network	15,541	(6,348)	9,193	–	117	–	(209)	1,286	–	–	(158)	–	16,754	(6,525)	10,229	
– Swimming pools	1,864	(1,829)	35	1,407	–	(2)	(3)	700	–	–	–	–	2,911	(774)	2,137	
– Other open space/recreational assets	2,618	(1,742)	876	–	90	–	(63)	–	–	–	(20)	–	2,674	(1,791)	883	
<b>Total Infrastructure, property, plant and equipment</b>	<b>279,486</b>	<b>(54,283)</b>	<b>225,203</b>	<b>4,415</b>	<b>5,180</b>	<b>(841)</b>	<b>(3,384)</b>	<b>–</b>	<b>–</b>	<b>24</b>	<b>(1,873)</b>	<b>73</b>	<b>284,375</b>	<b>(55,578)</b>	<b>228,797</b>	

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Infrastructure, property, plant and equipment are held at fair value. 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.

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. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. 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>Stormwater assets</b>	
<b>Sewer assets</b>		Drains	80 to 100
Reticulation pipes: PVC	70 to 80	Culverts	50 to 80
Reticulation pipes: other	25 to 75	Flood control structures	80 to 100
Pumps and telemetry	15 to 20		
		<b>Other infrastructure assets</b>	
<b>Transportation assets</b>		Bulk earthworks	infinite
Sealed roads: surface	20	Swimming pools	50
Sealed roads: structure	50	Other open space/recreational assets	20
Unsealed roads	20		
Bridge: concrete	100		
Bridge: other	50		
Road pavements	60		
Kerb, gutter and footpaths	40		

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

**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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### **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 recognise Rural Fire Service assets of land and buildings. Plant and vehicles of the Rural Fire Service have not been recorded.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
<b>Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	341	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	2	–
Unexpended capital contributions (to construct Council controlled assets)	(i)	95	–
<b>Total grants received in advance</b>		<b>438</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>438</b>	<b>–</b>

**Notes**

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

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

\$ '000	2020
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	21
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>21</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 capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

**Accounting policy for contract assets and liabilities**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Leases

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

## (i) Council as a lessee

Council has a lease for photocopiers. Information relating to the lease and associated balances and transactions is provided below.

## Terms and conditions of leases

## Office and IT equipment

The lease for photocopiers are for low value assets. The lease is for 5 years with 3 years remaining with no renewal option, the payments are fixed, however the lease includes variable payments based on usage.

\$ '000	2020
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## (a) Income Statement

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

Variable lease payments based on usage	3
Expenses relating to low-value leases	31
	<b>34</b>

## (b) Statement of Cash Flows

Total cash outflow for leases	34
	<b>34</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.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Leases (continued)

**Exceptions to lease accounting**

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

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

Refer to Note 5c and Note 18.

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

Council leases out a number of properties leased for the purpose of medical centres, housing and grazing; these leases have been classified as operating leases for financial reporting purposes and the assets are included in Note 10, IPP&E.

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

\$ '000	2020
<b>(i) Operating lease income</b>	
<b>Other lease income</b>	
Commercial Rents	19
Housing Rents	103
<b>Total income relating to operating leases</b>	<b>122</b>

**(iv) Maturity analysis of contractual lease income**

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

< 1 year	97
1–2 years	85
2–3 years	86
3–4 years	87
4–5 years	88
> 5 years	90
<b>Total undiscounted contractual lease income receivable</b>	<b>533</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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	290	3	645	2
Accrued expenses:				
– Borrowings	33	–	30	–
– Other expenditure accruals	23	–	23	–
Prepaid rates	45	–	45	–
Security bonds, deposits and retentions	80	–	104	–
Other	22	–	2	–
<b>Total payables</b>	<b>493</b>	<b>3</b>	<b>849</b>	<b>2</b>
<b>Income received in advance (2019 only)</b>				
Payments received in advance	–	–	13	–
<b>Total income received in advance</b>	<b>–</b>	<b>–</b>	<b>13</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	161	3,523	154	3,673
<b>Total borrowings</b>	<b>161</b>	<b>3,523</b>	<b>154</b>	<b>3,673</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>654</u></b>	<b><u>3,526</u></b>	<b><u>1,016</u></b>	<b><u>3,675</u></b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 19.

#### (a) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	3,827	(143)	–	–	–	–	3,684
<b>TOTAL</b>	<b>3,827</b>	<b>(143)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,684</b>

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	3,985	(158)	–	–	–	3,827
<b>TOTAL</b>	<b>3,985</b>	<b>(158)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,827</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Payables and borrowings (continued)

\$ '000	2020	2019
<b>(b) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Credit cards/purchase cards	15	15
<b>Total financing arrangements</b>	<b>15</b>	<b>15</b>
<b>Drawn facilities as at balance date:</b>		
– Credit cards/purchase cards	2	7
<b>Total drawn financing arrangements</b>	<b>2</b>	<b>7</b>
<b>Undrawn facilities as at balance date:</b>		
– Credit cards/purchase cards	13	8
<b>Total undrawn financing arrangements</b>	<b>13</b>	<b>8</b>

**Accounting policy for payables and borrowings**

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

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

**Payables**

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

**Borrowings**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	323	–	362	–
Long service leave	537	89	548	61
ELE on-costs	37	2	51	2
<b>Sub-total – aggregate employee benefits</b>	<b>897</b>	<b>91</b>	<b>961</b>	<b>63</b>
<b>TOTAL PROVISIONS</b>	<b>897</b>	<b>91</b>	<b>961</b>	<b>63</b>

\$ '000	2020	2019
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**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	584	583
	<b>584</b>	<b>583</b>

**Accounting policy for provisions**

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

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Provisions (continued)

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#### **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.

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

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

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

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

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

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

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

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

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

#### **Principal v agent**

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

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

#### **Licences**

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

#### **Prepaid rates**

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

#### **Grants – operating**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

**Changes in presentation**

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

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

<b>\$ '000</b>	<b>Balance at 1 July 2019</b>
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract liabilities</b>	
– Under AASB 1058	268
<b>Total Contract liabilities</b>	<u>268</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

## Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	7,609	–	–	7,609	
Receivables	1,086	–	–	1,086	
Inventories	1,761	–	–	1,761	
Other	3	–	–	3	
<b>Total current assets</b>	<b>10,459</b>	<b>–</b>	<b>–</b>	<b>10,459</b>	
<b>Current liabilities</b>					
Payables	493	–	–	493	
Contract liabilities	438	–	(438)	–	
Borrowings	161	–	–	161	
Provisions	897	–	–	897	
<b>Total current liabilities</b>	<b>1,989</b>	<b>–</b>	<b>(438)</b>	<b>1,551</b>	
<b>Non-current assets</b>					
Receivables	41	–	–	41	
Infrastructure, property, plant and equipment	231,811	–	–	231,811	
Investments accounted for using equity method	106	–	–	106	
<b>Total non-current assets</b>	<b>231,958</b>	<b>–</b>	<b>–</b>	<b>231,958</b>	
<b>Non-current liabilities</b>					
Payables	3	–	–	3	
Borrowings	3,523	–	–	3,523	
Provisions	91	–	–	91	
<b>Total Non-current liabilities</b>	<b>3,617</b>	<b>–</b>	<b>–</b>	<b>3,617</b>	
<b>Net assets</b>	<b>236,811</b>	<b>–</b>	<b>438</b>	<b>237,249</b>	
<b>Equity</b>					
Accumulated surplus	214,265	–	438	214,703	
Revaluation reserves	22,546	–	–	22,546	
<b>Council equity interest</b>	<b>236,811</b>	<b>–</b>	<b>438</b>	<b>237,249</b>	
<b>Total equity</b>	<b>236,811</b>	<b>–</b>	<b>438</b>	<b>237,249</b>	

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

## Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	3,465	–	–	3,465	
User charges and fees	528	–	–	528	
Other revenues	258	–	–	258	
Grants and contributions provided for operating purposes	6,869	–	2	6,871	
Grants and contributions provided for capital purposes	4,061	–	436	4,497	
Interest and investment income	114	–	–	114	
Rental income	122	–	–	122	
Net share of interests in joint ventures and associates using the equity method	2	–	–	2	
<b>Total Income from continuing operations</b>	<b>15,419</b>	<b>–</b>	<b>438</b>	<b>15,857</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	3,205	–	–	3,205	
Borrowing costs	168	–	–	168	
Materials and contracts	1,759	–	–	1,759	
Depreciation and amortisation	3,807	–	–	3,807	
Other expenses	1,466	–	–	1,466	
Net losses from the disposal of assets	796	–	–	796	
<b>Total Expenses from continuing operations</b>	<b>11,201</b>	<b>–</b>	<b>–</b>	<b>11,201</b>	
<b>Total Operating result from continuing operations</b>	<b>4,218</b>	<b>–</b>	<b>438</b>	<b>4,656</b>	
<b>Net operating result for the year</b>	<b>4,218</b>	<b>–</b>	<b>438</b>	<b>4,656</b>	
<b>Total comprehensive income</b>	<b>2,718</b>	<b>–</b>	<b>438</b>	<b>3,156</b>	

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

## Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
<b>Total assets</b>	<b>240,076</b>	<b>–</b>	<b>240,076</b>
Contract liabilities	–	268	268
<b>Total liabilities</b>	<b>5,715</b>	<b>268</b>	<b>5,983</b>
Accumulated surplus	210,363	(268)	210,095
<b>Total equity</b>	<b>234,361</b>	<b>(268)</b>	<b>234,093</b>

## (iii) AASB 16 Leases

**Council as a lessee**

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

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

**Financial statement impact of adoption of AASB 16**

Council has made no adjustment for leases as at 1 July 2019 as the commitments are for copiers which are all low value assets.

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	<b>126</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>126</b>
<b>Less:</b>	
Leases for low-value assets included in commitments note	(126)
<b>Lease liabilities recognised at 1 July 2019</b>	<b>–</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 16. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	7,609	8,284
<b>Balance as per the Statement of Cash Flows</b>		<b>7,609</b>	<b>8,284</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		4,218	2,531
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		3,807	3,384
Net losses/(gains) on disposal of assets		796	635
Adoption of AASB 15/1058		(268)	–
Share of net (profits)/losses of associates/joint ventures using the equity method		(2)	(8)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(659)	(35)
Increase/(decrease) in provision for impairment of receivables		–	(95)
Decrease/(increase) in inventories		19	(276)
Decrease/(increase) in other current assets		2	3
Increase/(decrease) in payables		(354)	(100)
Increase/(decrease) in accrued interest payable		3	–
Increase/(decrease) in other liabilities		(17)	44
Increase/(decrease) in contract liabilities		438	–
Increase/(decrease) in provision for employee benefits		(36)	39
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>7,947</b>	<b>6,122</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	2	8	106	152
<b>Total</b>	<b>2</b>	<b>8</b>	<b>106</b>	<b>152</b>

## Joint arrangements

**(i) Joint ventures**

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

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

\$ '000	Nature of relationship	Measurement method	2020	2019
Riverina Regional Library	Joint venture	Equity Method	106	152
<b>Total carrying amounts – material joint ventures</b>			<b>106</b>	<b>152</b>

**(b) Details**

	Principal activity	Place of business
Riverina Regional Library	Provision of Library Services	Lockhart Pleasant Hills The Rock Yerong Creek

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

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019
Riverina Regional Library	2.3%	3.4%	2.3%	3.4%	2.3%	3.4%

## 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

\$ '000	Riverina Regional Library	
	2020	2019
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,866	2,651
Other current assets	31	26
<b>Non-current assets</b>		
	2,641	2,742
<b>Current liabilities</b>		
Other current liabilities	981	939
<b>Non-current liabilities</b>		
Non-current liabilities	4	3
<b>Net assets</b>	<b>4,553</b>	<b>4,477</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	4,477	4,252
Profit/(loss) for the period	76	225
<b>Closing net assets</b>	<b>4,553</b>	<b>4,477</b>
<b>Council's share of net assets (%)</b>	2.3%	3.4%
<b>Council's share of net assets (\$)</b>	106	152
<b>Statement of comprehensive income</b>		
Income	3,053	2,954
Interest income	30	26
Depreciation and amortisation	(854)	(828)
Interest expense	(13)	(10)
Employee Benefits & On-Costs	(1,482)	(1,379)
Other expenses	(626)	(538)
Loss on disposal	(32)	–
<b>Profit/(loss) from continuing operations</b>	<b>76</b>	<b>225</b>
<b>Profit/(loss) for the period</b>	<b>76</b>	<b>225</b>
<b>Total comprehensive income</b>	<b>76</b>	<b>225</b>
<b>Share of income – Council (%)</b>	2.3%	3.4%
<b>Profit/(loss) – Council (\$)</b>	2	8
<b>Total comprehensive income – Council (\$)</b>	2	8

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Commitments

\$ '000	2020	2019
<b>(a) Capital commitments (exclusive of GST)</b>		
<b>Property, plant and equipment</b>		
Swimming Pools	–	343
Drainage – Flood Mitigation	–	1,011
<b>Total commitments</b>	<b>–</b>	<b>1,354</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	–	1,354
<b>Total payable</b>	<b>–</b>	<b>1,354</b>
<b>Sources for funding of capital commitments:</b>		
Future grants and contributions-Pools	–	118
Future Grants - Flood Mitigation	–	727
Section 7.11 and 64 funds/reserves	–	15
Internally restricted reserves-Pools	–	40
Internal Restricted Reserve-Flood Mitigation	–	284
Unexpended loans	–	170
<b>Total sources of funding</b>	<b>–</b>	<b>1,354</b>

**(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	–	30
Later than one year and not later than 5 years	–	96
<b>Total non-cancellable operating lease commitments</b>	<b>–</b>	<b>126</b>

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

Council has an agreement for all printers and photocopiers at various locations which includes copier charges and consumables. The leases are for low value assets and therefore lease costs are expensed and no liability has been created.

**Conditions relating to operating leases:**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Contingencies

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

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

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

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

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

*Description of the funding arrangements.*

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$36,343. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2019.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$17,600. Council's expected contribution to the plan for the next annual reporting period is \$38,271.

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

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

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

Based on a Past Service Liabilities methodology, the share of the surplus that can be attributed to Council is 0.04%

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.

**(iv) Other guarantees**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Contingencies (continued)

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#### 2. Other liabilities

##### (i) Third party claims

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

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

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

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

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

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

##### (iii) Rehabilitation of tips and quarries

The rehabilitation of Council's tips and quarries is being considered by Council, with a long term plan being developed. Council is of the view any rehabilitation work will not be required for another ten or more years. Council is placing funds in Reserve for the future acquisition of land and rehabilitation of existing sites.

#### 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.

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.

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 its 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 the 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.

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2020</b>				
Possible impact of a 1% movement in interest rates	64	64	(64)	(64)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	75	75	(75)	(75)

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

## (b) Credit risk

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

## Credit risk profile

## Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount	189	33	10	12	10	254
<b>2019</b>						
Gross carrying amount	159	38	13	18	10	238

## Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2020</b>						
Gross carrying amount	163	25	535	130	20	873
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–
<b>2019</b>						
Gross carrying amount	1	96	81	3	62	243
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</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.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2020</b>							
Trade/other payables	0.00%	80	368	3	–	451	451
Loans and advances	4.42%	–	331	1,324	3,559	5,214	3,684
<b>Total financial liabilities</b>		<b>80</b>	<b>699</b>	<b>1,327</b>	<b>3,559</b>	<b>5,665</b>	<b>4,135</b>
<b>2019</b>							
Trade/other payables	0.00%	104	702	–	–	806	806
Loans and advances	4.42%	–	331	1,324	3,890	5,545	3,827
<b>Total financial liabilities</b>		<b>104</b>	<b>1,033</b>	<b>1,324</b>	<b>3,890</b>	<b>6,351</b>	<b>4,633</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 17/06/2019 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	3,496	3,465	(31)	(1)% <b>U</b>
User charges and fees	391	528	137	35% <b>F</b>
Council received additional income from development application fees, \$28k, RockOOSH, \$55k, cemetery, \$34k, private works \$12k and caravan park \$6k.				
Other revenues	71	258	187	263% <b>F</b>
Council received additional income for the following RFS shed construction reimbursement \$130k, insurance rebate, \$14k, diesel rebate, \$16k, Companion Animals commission, \$3k, sundry income, \$8k.				
Operating grants and contributions	6,813	6,869	56	1% <b>F</b>
Capital grants and contributions	4,611	4,061	(550)	(12)% <b>U</b>
Capital grants were down on budget due to the requirements of the new accounting standards where all unspent capital grants are now shown as liabilities and not included as current income.				
Interest and investment revenue	175	114	(61)	(35)% <b>U</b>
Interest on investments was down significantly due the continued fall in interest rates.				
Rental income	125	122	(3)	(2)% <b>U</b>
Joint ventures and associates – net profits	–	2	2	∞ <b>F</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
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**EXPENSES**

<b>Employee benefits and on-costs</b>	2,828	3,205	(377)	(13)%	<b>U</b>
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Employee benefits and on costs was above budget due to increased overtime for roadworks projects and changes in the discounting rates which increased employee leave entitlements.

<b>Borrowing costs</b>	179	168	11	6%	<b>F</b>
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<b>Materials and contracts</b>	2,187	1,759	428	20%	<b>F</b>
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In Council's adopted Budget, Materials & Contracts includes the majority of the works and parks & gardens salaries. However, for Year End Statements the salary component of Materials & Contracts is extracted and moved to Employee Benefits & On-Costs, thereby creating a variance from Budget to Actual.

<b>Depreciation and amortisation</b>	3,258	3,807	(549)	(17)%	<b>U</b>
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Depreciation expense was higher than original budget due to additional depreciation on renewed and refurbished assets including roads and the swimming pool.

<b>Other expenses</b>	1,397	1,466	(69)	(5)%	<b>U</b>
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<b>Net losses from disposal of assets</b>	-	796	(796)	∞	<b>U</b>
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Occurred a loss on sale of vehicles \$156k  
Infrastructure road and footpath renewals \$516k  
Infrastructure buildings etc \$22k  
Land handed to Woodhaven aged care \$70k

**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	9,092	7,947	(1,145)	(13)%	<b>U</b>
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The unfavourable variance from operating activities is mainly attributable to capital grants that were included in Council's budget that were not received during the financial year.

<b>Cash flows from investing activities</b>	(9,223)	(8,479)	744	(8)%	<b>F</b>
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Cash flows from investing activities was up due to the sale of real estate.

<b>Cash flows from financing activities</b>	(190)	(143)	47	(25)%	<b>F</b>
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Council's loan repayments were less than budget.



## 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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/18	–	–	4,202	4,202
Office equipment	30/06/18	–	–	149	149
Furniture and fittings	30/06/18	–	–	47	47
Operational land	30/06/18	–	1,505	–	1,505
Community land	30/06/17	–	–	1,967	1,967
Buildings – non-specialised	30/06/18	–	4,381	–	4,381
Buildings – specialised	30/06/18	–	–	8,069	8,069
Other structures	30/06/16	–	–	211	211
Roads, bridges, footpaths and bulk earthworks	30/06/20	–	–	193,992	193,992
Stormwater drainage	30/06/17	–	–	3,110	3,110
Sewerage network	30/06/20	–	–	9,222	9,222
Swimming pools	30/06/16	–	–	3,739	3,739
Other open space/recreational assets	30/06/16	–	–	1,105	1,105
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>5,886</b>	<b>225,813</b>	<b>231,699</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	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/18	–	–	4,219	4,219
Office equipment	30/06/18	–	–	118	118
Furniture and fittings	30/06/18	–	–	52	52
Operational land	30/06/18	–	1,573	–	1,573
Community land	30/06/17	–	–	1,947	1,947
Buildings – non-specialised	30/06/18	–	4,478	–	4,478
Buildings – specialised	30/06/18	–	–	8,044	8,044
Other structures	30/06/16	–	–	215	215
Roads, bridges, footpaths and bulk earthworks	30/06/15	–	–	191,130	191,130
Stormwater drainage	30/06/17	–	–	2,061	2,061
Sewerage network	30/06/17	–	–	10,229	10,229
Swimming pools	30/06/16	–	–	2,137	2,137
Other open space/recreational assets	30/06/16	–	–	883	883
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>6,051</b>	<b>221,035</b>	<b>227,086</b>

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

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

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

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

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

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

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

##### Plant & Equipment

Council's Plant and equipment incorporates:

- Major plants – Graders, Loaders, Rollers, Trucks, tractors.
- Fleet Vehicles – Cars, Utes etc.
- Minor Plant – Pumps, Chainsaws, brush cutters, mowers, concrete mixers.

Council fair values plant and equipment using Level 3 inputs. The observable Level 3 inputs used:

- Quoted price for similar assets
- Purchase price
- Useful life of asset
- Current replacement Cost

The 'Cost Approach' is used to value Plant & Equipment.

##### Furniture & Fittings

Council's Furniture & Fittings incorporates:

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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- Furniture and fittings – Desks, Chairs, Display Systems

Council fair values furniture fittings using Level 3 inputs. The observable Level 3 inputs used include:

- Quoted prices for similar assets
- Current replacement cost
- Purchase prices
- Useful life on asset

The 'Cost Approach' is used to value Furniture & Fittings.

#### Office Equipment

Council's Office Equipment incorporates:

- Office Equipment: workstations, chairs, bookshelves etc.

Council fair values office equipment using Level 3 inputs. The observable Level 3 inputs used include:

- Quoted prices for similar assets
- Current replacement cost
- Purchase prices
- Useful life on asset

The 'Cost Approach' is used to value Office Equipment.

#### Infrastructure – Roads & Bulk Earthworks

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter and would include any paved makers parking places as well as alongside roadside.

Council's Road Asset Data contains detailed dimensions and specification for all Council roads. Council fair values, road infrastructure using Level 3 inputs at a component level.

The 'Unit Rate Approach' is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's Asset System. (BizeAssets)

Level of componentisation adopted by Council is in accordance with AASB 116, OLG Circular 09-09 and the Institute of Public Work Engineers International Infrastructure Management Manual (IIMM)

The unobservable Level 3 inputs used include:

- Components
- Useful life and residual value
- Asset Condition
- Dimensions and Specification
- Remaining Life of Carriageway
- Unit Rates.

There were no changes in valuation technique from prior year. A revaluation as at 30 June 2020 was undertaken inhouse by council's engineering and finance staff.

#### Infrastructure – Bridges

A bridge is defined as all structures greater than 6m in trafficable length that convey a road, a footpath or a cycleway across any other physical feature (including waterways and other roads).

Council Road Asset Data contains detailed dimensions and specification for all Council's bridges. Council fair values, bridges (non- componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

- Components
- Residual value
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition, the value of bridges takes into consideration the various type of structures such as:

- Bridge Deck/ Superstructure
- Bridge Abutments/Foundations
- Bridge rails and hand rails

There were no changes in valuation technique from prior year. The 'Unit Rate Approach' is used to value bridges. A desktop revaluation as at 30 June 2020 was undertaken inhouse by council's engineering and finance staff.

#### Infrastructure – Footpaths

A footpath is defined as all footways (including those shared with a cycleway) sealed or non-sealed, located within Council's road reserve. Council Road Asset Data contains detailed dimensions and specifications for all Council footpaths.

Council fair values, footpaths (non-componentised) using Level 3 inputs. The unobservable Level 3 input used include:

- Components
- Residual value
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition, the value of footpaths takes into consideration the various type of structure such as:

- Length
- Construction Materials

The 'Unit Rate Approach' is used to value footpaths. A desktop revaluation as at 30 June 2020 was undertaken inhouse by council's engineering and finance staff.

#### Infrastructure – Drainage

Council's Drainage Assets comprise pits, pipes, culverts, open channels, headwalls used to collect and remove stormwater. Council carries fair values drainages assets (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Components
- Residual value
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition, the value of drainage assets takes into consideration the various type of structure such as

- Pipe Diameter
- Pit Type
- Water Quality Device Type
- Culverts and Headwall Constructions Type.

The 'Unit Rates Approach' is used to value drainage assets. A desktop valuation was performed this year.

#### Property – Operational Land

Council's "Operational" land, by definition, has no special restriction other than those that may apply to any piece of land.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

Council fair values operational land using an External Valuer every 5 years (last valuation being 2018) using Level 2 inputs. The unobservable Level 2 inputs used include:

- Land Area
- Rate per square Metre
- Planning and Other Restrictions
- Description of Land

The 'Market Approach' is used to value the Operational Land.

#### Property – Community Land

Council's "Community" land (including land owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years.

In relation to Community Land the Office of Local Government has reviewed its positions on the use of the Valuer General's Valuations of community land and in association with the Local Government Accounting Advisory Group, the Division has determined that community land may be valued as follows.

- The NSW Valuer General's valuations may be used under revaluation model to represent fair value for the revaluation of community land under clause 31 of AASB 116.
- Council fair values community land using unobservable Level 3 inputs based on inputs on either the UCV (Unimproved Capital Value) provided by the Valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the Valuer General did not provide a UCV.

The 'Cost Approach' is used to value Community land.

#### Property – Buildings (Specialised and non-Specialised)

Council Buildings incorporates Council administration buildings, Public Amenities, Sporting Club Rooms, Depot Buildings and workshops and public halls, Rural Fire Service Buildings and Council Caravan Park.

Council carries fair values of non-specialised buildings using Level 2 inputs and carries fair values of specialised buildings using Level 3. Valuations are generally carried out by an external Valuer, this approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking in to account a range of factors. Buildings are physically inspected, and unit rates based on square metres and could be supported from the market evidence, extensive professional judgement, and condition and consumption rates etc. impact significantly on the final value determination of fair value. As such these assets are classified as having being valued using Level 3 inputs for specialised buildings and Level 2 inputs for non-specialised buildings.

The unobservable Level 3 inputs used include:

- Condition
- Useful Life of an asset

The 'Cost Approach' is used to value specialised buildings.

#### Other Structures, Swimming Pools, Open Space & Recreation:

Council's other structures incorporates the following types of assets;

- Significant single assets such as swimming pools, playgrounds, floodlighting system, tennis courts, tennis shelters, etc. and
- Aggregated lower value assets such as recreational / park infrastructures (picnic tables, seats, bollards, fences, BBQs, irrigation systems etc.)

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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Council carries fair value of other structures assets (non-componentised) using Level 3 inputs. Such valuations are undertaken by Council Staff or by an external valuer depending on the structure.

The unobservable Level 3 inputs used include:

- Residual Value
- Asset Condition
- Components
- Dimensions and specifications
- Unit Rates.

The “Unit Rates Approach” is used to value other structures. The “Cost Approach” has been used for both new swimming pools.

#### Sewerage Network

Council’s Sewerage Network incorporates:

- Sewer Lines
- Pump Stations
- Vent Stacks
- Sewer Treatment Plant
- Recycle Water System

Council carries fair value of waste water supply assets using Level 3 inputs. A comprehensive revaluation as at 30 June 2020 was undertaken by Australis Asset Advisory Group using the NSW Office of Water Reference Rates Manual.

The unobservable Level 3 inputs used include:

- Residual Value
- Asset Condition
- Components
- Dimensions and specifications
- Unit Rates.

The “Unit Rates Approach” is used to value the sewerage network. A comprehensive revaluation as at 30 June 2020 was undertaken by an external valuer.

## 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.

\$ '000	Total IPP&E
<b>2019</b>	
<b>Opening balance</b>	216,566
Transfers from/(to) level 2 FV hierarchy	(18)
Purchases (GBV)	10,413
Disposals (WDV)	(841)
Depreciation and impairment	(3,283)
FV gains – other comprehensive income	(1,802)
<b>Closing balance</b>	<b>221,035</b>
<b>2020</b>	
<b>Opening balance</b>	221,035
Purchases (GBV)	10,922
Disposals (WDV)	(996)
Depreciation and impairment	(3,696)
FV gains – other comprehensive income	(1,452)
<b>Closing balance</b>	<b>225,813</b>

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

2019

A parcel of land at The Rock was incorrectly categorised as Community Land upon acquisition and was transferred to Operational Land.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

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

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Plant, equipment, furniture, fittings and office equipment	4,398	Cost used to approximate fair value	Gross replacement cost, useful life and residual value
Community Land	1,967	Land values obtained from the NSW Valuer General	Land value, land area
Specialised buildings	8,069	Cost used to approximate fair value	Gross replacement cost, useful life and residual value, asset condition
Other structures	211	Cost used to approximate fair value	Gross replacement cost, useful life and residual value, asset condition
Roads, bridges, footpaths, bulkworks	193,992	Unit rates per sq metre or length	Asset condition, unit rate and dimensions, remaining lives
Stormwater drainage	3,110	Cost used to approximate fair value	Asset condition and remaining lives, gross replacement cost, residual value
Sewerage Network	9,222	Cost used to approximate fair value	Asset condition and remaining lives, gross replacement cost, residual value
Swimming Pools	3,739	Cost used to approximate fair value	Asset condition and remaining lives, gross replacement cost, residual value
Other open space/recreational assets	1,105	Cost used to approximate fair value	Asset condition and remaining lives, gross replacement cost, residual value

**d. The valuation process for level 3 fair value measurements**

Council assesses the expertise required for the valuation of all asset classes in determining who will undertake the valuations. All asset classes with the exception of Operational and Community Land are undertaken by suitably qualified and experienced council officers. External valuers may also be engaged from time to time as management see fit. Land is valued using the Valuer General valuations. Management reviews the valuation reports for consistency and accuracy and to ensure all valuations are current.

**(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:

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	767	727
Post-employment benefits	204	224
Other long-term benefits	15	14
Termination benefits	34	–
<b>Total</b>	<b>1,020</b>	<b>965</b>

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

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000					
<b>2020</b>					
Mayor Schirmer / MWS Fabrication	62	–	Creditor 30 day account	–	–
Councillor Rockliff / Lockhart Newsagency	16	–	Creditor 30 day account	–	–
<b>2019</b>					
Mayor Schirmer / MWS Fabrication	79	–	Creditor 30 day account	–	–
Councillor Rockliff / Lockhart Newsagency	13	–	Creditor 30 day account	–	–

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 24. Statement of developer contributions

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

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

## Summary of contributions and levies

	as at 30/06/19			as at 30/06/20					
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
\$ '000	Cash	Non-cash							
Community facilities	107	103	–	5	(15)	–	200	–	
Halls	5	–	–	–	–	–	5	–	
<b>S7.11 contributions – under a plan</b>	<b>112</b>	<b>103</b>	<b>–</b>	<b>5</b>	<b>(15)</b>	<b>–</b>	<b>205</b>	<b>–</b>	
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>112</b>	<b>103</b>	<b>–</b>	<b>5</b>	<b>(15)</b>	<b>–</b>	<b>205</b>	<b>–</b>	
S64 contributions	6	–	–	–	(6)	–	–	–	
<b>Total contributions</b>	<b>118</b>	<b>103</b>	<b>–</b>	<b>5</b>	<b>(21)</b>	<b>–</b>	<b>205</b>	<b>–</b>	

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

Note 24. Statement of developer contributions (continued)

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

S7.11 Contributions – under a plan

**CONTRIBUTION PLAN - COUNCIL WIDE S94A CONTRIBUTIONS**

Community facilities	107	103	–	5	(15)	–	200	–
Halls	5	–	–	–	–	–	5	–
<b>Total</b>	<b>112</b>	<b>103</b>	<b>–</b>	<b>5</b>	<b>(15)</b>	<b>–</b>	<b>205</b>	<b>–</b>

S64 contributions

**S64 Contributions**

Other	6	–	–	–	(6)	–	–	–
<b>Total</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(6)</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25. Result by fund

\$ '000	General <sup>1</sup> 2020	Sewer 2020
<b>Income Statement by fund</b>		
<b>Income from continuing operations</b>		
Rates and annual charges	2,951	514
User charges and fees	522	6
Interest and investment revenue	76	38
Other revenues	258	–
Grants and contributions provided for operating purposes	6,869	–
Grants and contributions provided for capital purposes	3,988	73
Rental income	122	–
Share of interests in joint ventures and associates using the equity method	2	–
<b>Total income from continuing operations</b>	<b>14,788</b>	<b>631</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	3,105	100
Borrowing costs	134	34
Materials and contracts	1,533	226
Depreciation and amortisation	3,601	206
Other expenses	1,439	27
Net losses from the disposal of assets	796	–
<b>Total expenses from continuing operations</b>	<b>10,608</b>	<b>593</b>
<b>Operating result from continuing operations</b>	<b>4,180</b>	<b>38</b>
<b>Net operating result for the year</b>	<b>4,180</b>	<b>38</b>
<b>Net operating result attributable to each council fund</b>	<b>4,180</b>	<b>38</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>192</b>	<b>(35)</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 sewer activities which are listed separately.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 25. Result by fund (continued)

\$ '000	General <sup>1</sup> 2020	Sewer 2020
<b>Statement of Financial Position by fund</b>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,466	2,143
Receivables	1,018	68
Inventories	1,761	–
Other	3	–
<b>Total current assets</b>	<b>8,248</b>	<b>2,211</b>
<b>Non-current assets</b>		
Receivables	41	–
Infrastructure, property, plant and equipment	222,590	9,221
Investments accounted for using the equity method	106	–
<b>Total non-current assets</b>	<b>222,737</b>	<b>9,221</b>
<b>TOTAL ASSETS</b>	<b>230,985</b>	<b>11,432</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	489	4
Contract liabilities	438	–
Borrowings	125	36
Provisions	897	–
<b>Total current liabilities</b>	<b>1,949</b>	<b>40</b>
<b>Non-current liabilities</b>		
Payables	3	–
Borrowings	2,628	895
Provisions	91	–
<b>Total non-current liabilities</b>	<b>2,722</b>	<b>895</b>
<b>TOTAL LIABILITIES</b>	<b>4,671</b>	<b>935</b>
<b>Net assets</b>	<b>226,314</b>	<b>10,497</b>
<b>EQUITY</b>		
Accumulated surplus	206,856	7,409
Revaluation reserves	19,458	3,088
<b>Council equity interest</b>	<b>226,314</b>	<b>10,497</b>
<b>Total equity</b>	<b>226,314</b>	<b>10,497</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 sewer activities which are listed separately.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>951</b>	<b>8.37%</b>	9.35%	8.43%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>11,356</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>4,487</b>	<b>29.10%</b>	33.75%	34.24%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>15,417</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>6,655</b>	<b>6.51x</b>	5.46x	8.10x	>1.50x
Current liabilities less specific purpose liabilities	<b>1,022</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>4,926</b>	<b>15.84x</b>	13.16x	37.64x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>311</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>254</b>	<b>6.83%</b>	6.65%	6.44%	<10.00%
Rates, annual and extra charges collectible	<b>3,719</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>7,609</b>	<b>11.02 mths</b>	12.06 mths	18.87 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	<b>691</b>				

(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>		Sewer Indicators		Benchmark
	2020	2019	2020	2019	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>9.13%</b>	10.69%	<b>(6.27)%</b>	(19.06)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>					
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>26.57%</b>	31.13%	<b>88.43%</b>	100.00%	>60.00%
Total continuing operating revenue <sup>1</sup>					
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>6.51x</b>	5.46x	<b>55.28x</b>	50.78x	>1.50x
Current liabilities less specific purpose liabilities					
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>19.27x</b>	16.40x	<b>3.11x</b>	1.95x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>5.95%</b>	5.82%	<b>11.59%</b>	11.54%	<10.00%
Rates, annual and extra charges collectible					
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>8.34</b>	9.70	<b>61.37</b>	54.43	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths	<b>mths</b>	mths	mths

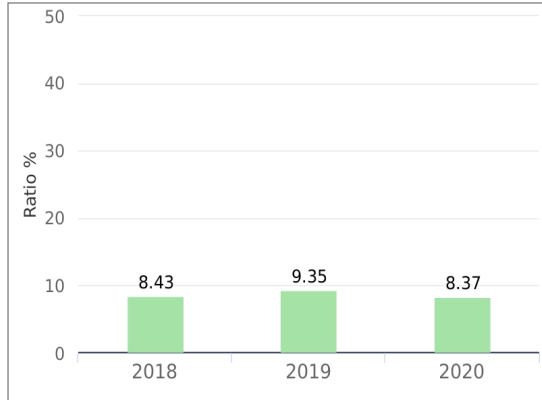
(1) - (2) Refer to Notes at Note 31a above.

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

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 8.37%

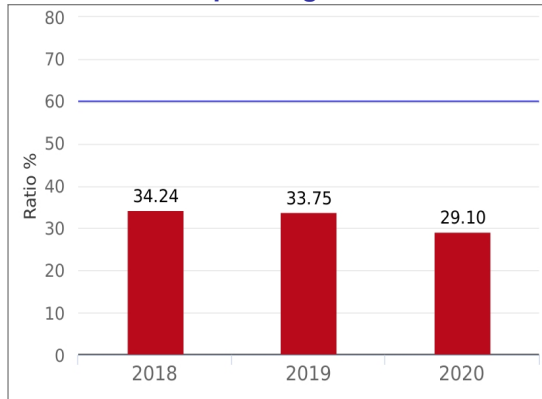
Council's Operating performance is consistent with last year's. This year's result continues Council's long term Operating results being above the benchmark.

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 29.10%

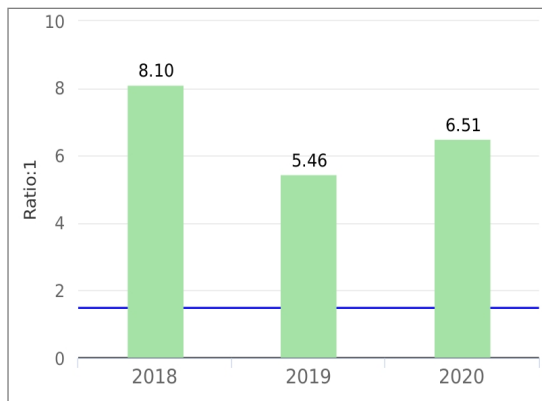
Grant income is again higher than previous years, that has had a minor reduction in Own source operating revenue indicator.

Benchmark: — > 60.00%

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

Ratio achieves benchmark  
Ratio is outside benchmark

3. Unrestricted current ratio



**Purpose of unrestricted current ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio 6.51x

Council's ratio for this year is up on previous years, and is again well above the industry benchmark. Council is in a strong financial position to pay its debts as and when they fall due.

Benchmark: — > 1.50x

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

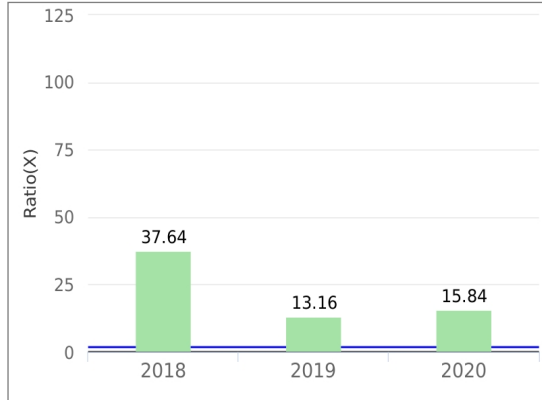
Ratio achieves benchmark  
Ratio is outside benchmark



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 15.84x

Council's ratio is well above the industry benchmark and consistent with 2019.

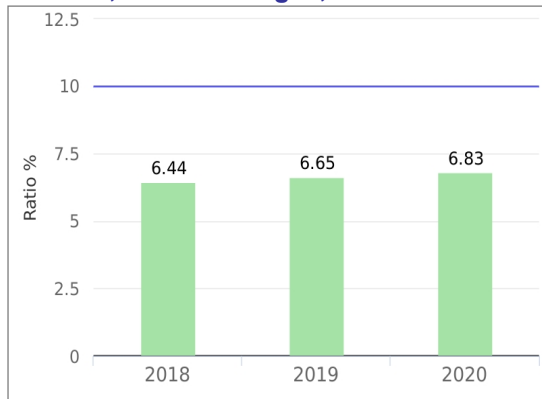
Benchmark: — > 2.00x

Ratio achieves benchmark

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

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 6.83%

Despite the difficult drought conditions for the first half of 2019/20 and Covid 19 impacts Council's ratio is still well under the benchmark of 10%.

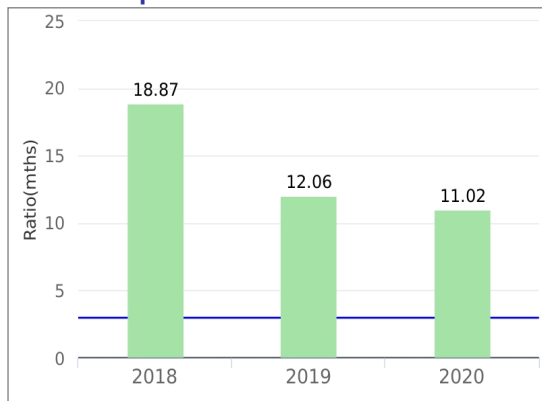
Benchmark: — < 10.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 11.02 mths

Council continues to maintain a strong liquidity ratio which is well above the benchmark even though cash is down due to the level of grants due to council.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 27. Council information and contact details

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**Principal place of business:**

65 Green Street  
LOCKHART NSW 2656

**Contact details**

**Mailing Address:**

P O BOX 21  
LOCKHART NSW 2656

**Telephone:** 02 6920 5305

**Facsimile:** 02 6920 5247

**Opening hours:**

8:30am - 4.30pm  
Monday to Friday

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

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

**Officers**

**General Manager**

Peter Veneris

**Responsible Accounting Officer**

Craig Fletcher

**Auditors**

Auditor-General  
Audit Office of NSW  
Level 19, Darling Park Tower 2  
201 Sussex Street  
Sydney NSW 2000

**Elected members**

**Mayor**

Clr Rodger Schirmer

**Councillors**

Clr Max Day  
Clr Derek Douglas  
Clr Gail Driscoll  
Clr Ian Marston  
Clr Peter Sharp  
Clr Andrew Rockliff  
Clr Gregory Verdon (Deputy Mayor)  
Clr James Walker

**Other information**

**ABN:** 82 002 584 082



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Lockhart Shire Council

To the Councillors of Lockhart Shire Council

### Opinion

I have audited the accompanying financial statements of Lockhart 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.



Michael Kharzoo

Delegate of the Auditor-General for New South Wales

6 November 2020  
SYDNEY



Cr Rodger Schirmer  
 Mayor  
 Lockhart Shire Council  
 PO Box 21  
 LOCKHART NSW 2656

Contact: Michael Kharzoo  
 Phone no: (02) 9275 7188  
 Our ref: D2024502/1757

6 November 2020

Dear Mayor

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

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

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

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

**INCOME STATEMENT**

**Operating result**

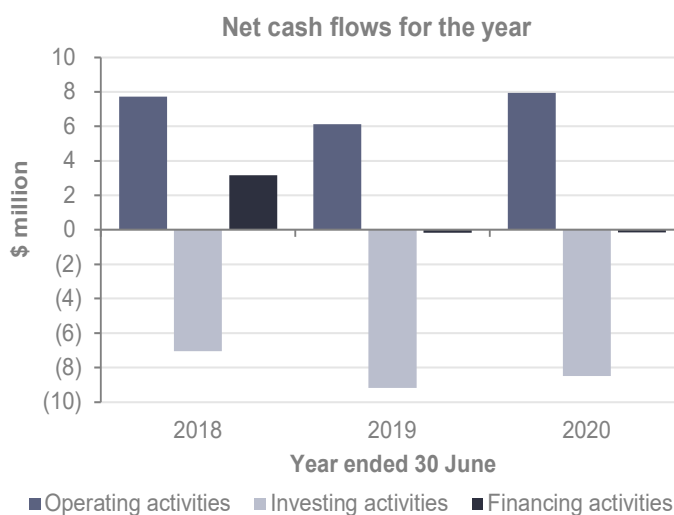
	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	3.5	3.4	↑ 2.9
Grants and contributions revenue	10.9	8.9	↑ 22.5
Operating result from continuing operations	4.2	2.5	↑ 68.0
Net operating result before capital grants and contributions	0.2	0.4	↓ 50.0

The following comments are made in respect of Council's operating result for the year:

- Rates and annual charges revenue (\$3.5 million) have increased by \$0.12 million (2.9 per cent) in 2019–20 mainly due to the IPART rate peg, which increased general rates revenue by 2.7 per cent in 2019–20.
- Grants and contributions revenue (\$10.9 million) have increased by \$2.0 million (22.5 per cent) in 2019–20 mainly due to higher capital grants received in the current year, primarily relating to Stronger Country Community Funding and Growing Local Economy Funding.
- The Council's operating result from continuing operations was a surplus of \$4.2 million (\$2.5 million surplus for the year ended 30 June 2019). The increase of \$1.7 million is primarily due to the increase in grants and contributions provided for capital purposes.
- The net operating result before capital grants and contributions was a surplus of \$0.2 million (\$0.4 million surplus for the year ended 30 June 2019). The decrease is mainly due to the increase in operating expenses during the year.

## STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$7.6 million (\$8.3 million for the year ended 30 June 2019). There was a net decrease in cash and cash equivalents of \$0.7 million at 30 June 2020.
- Net cash provided by operating activities has increased by \$1.8 million. This is mainly due to higher cash receipts from grants and contributions.
- Net cash used in investing activities decreased by \$0.7 million. This is mainly due to the increase of sales of real estate assets.
- Net cash used in in financing activities has remained relatively constant from 2019 to 2020, as it relates to repayment of prior borrowings.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$'m	\$'m	
External restrictions	2.8	2.6	<ul style="list-style-type: none"><li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$0.2 million was mainly due to the increase in specific purpose unexpended grants and sewerage supply restrictions</li></ul>
Internal restrictions	4.6	5.5	
Unrestricted	0.2	0.2	
<b>Cash and investments</b>	<b>7.6</b>	<b>8.3</b>	<ul style="list-style-type: none"><li>Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in internal restrictions is primarily due to a decrease of \$0.9 million relating to unspent borrowed funds for the swimming pool redevelopments, which were finalised during the 2020 financial year.</li><li>Unrestricted cash and investments was \$0.2 million which is available to provide liquidity for day-to-day operations of the Council. This is consistent with the prior year unrestricted cash.</li></ul>

### Debt

Council has \$3.7 million of borrowings as at 30 June 2020 (2019: \$3.8 million). The borrowings are drawn through Bendigo Bank related to Council's administration building and T-Corp related to capital works for the swimming pool upgrades and the sewer network extension.



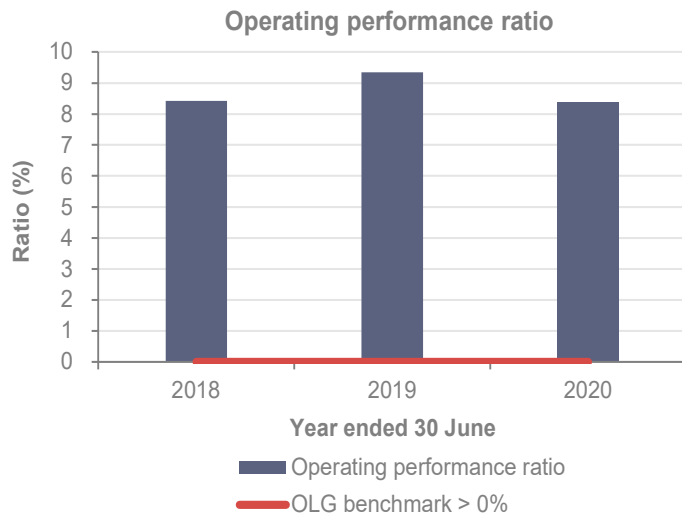
# PERFORMANCE

## 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.

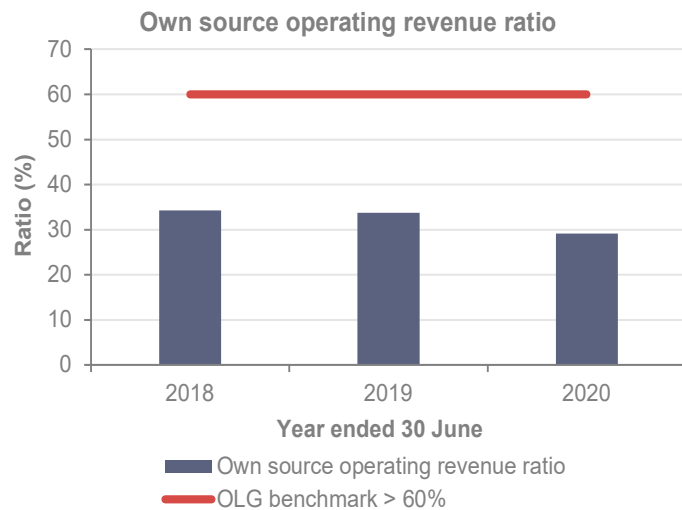
### Operating performance ratio

- 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 the former Office of Local Government (OLG) is greater than 0%.
- The Council's operating performance ratio of 8.37% is above the industry benchmark of greater than 0 per cent.
- The ratio has decreased due to the increase in operating expenses during the year.



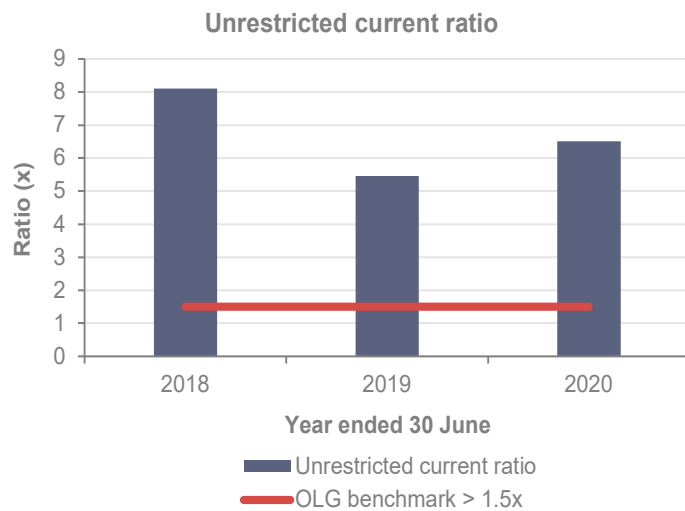
### Own source operating revenue ratio

- 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 the former OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 29.1% is below the industry benchmark of 60%.
- The own source operating revenue ratio has decreased due to the increase in grants and contributions revenue during the year.



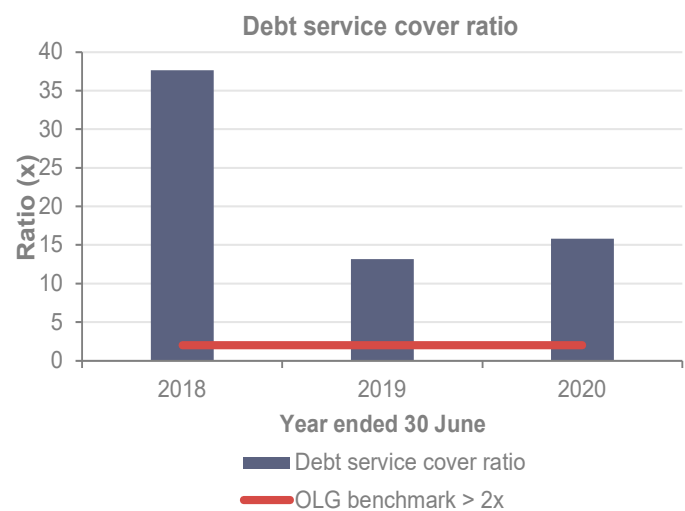
### Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.
- The Council's unrestricted current ratio of 6.51 times is greater than the industry benchmark minimum of greater than 1.5 times.
- The Council's unrestricted current ratio has slightly increased due to lower current liabilities less specific purpose liabilities.



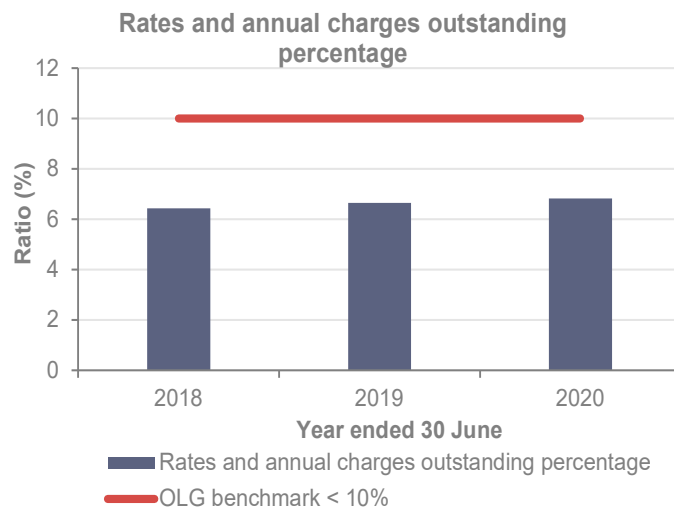
### Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.
- The Council's debt service cover ratio of 15.84 times is greater than the industry benchmark of greater than 2 times.
- The Council's debt service cover ratio remained relatively constant from 2019 to 2020.



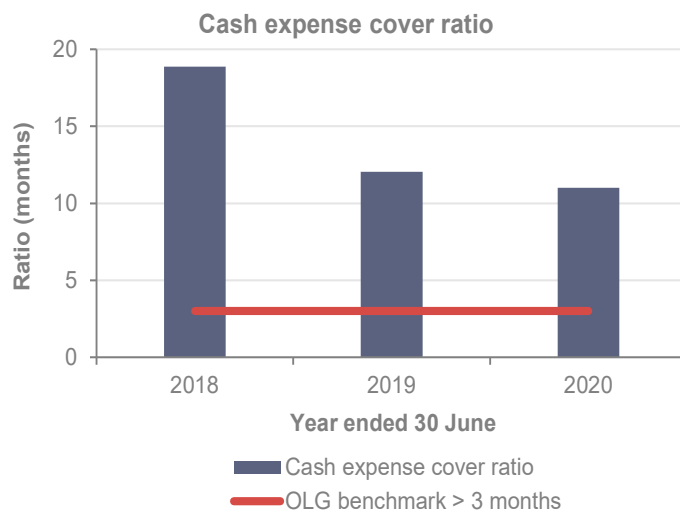
### Rates and annual charges outstanding percentage

- 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 the former OLG is less than 10 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 6.83% is within the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges ratio has remained relatively consistent in 2019 and 2020.



### 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 the former OLG is greater than three months.
- The Council's cash expense cover ratio was 11.02 months, which is above the industry benchmark of greater than 3 months.
- The Council's cash expense ratio has slightly decreased as there was less cash and cash equivalents during the year.



### Infrastructure, property, plant and equipment renewals

The Council has renewed \$4.1 million of assets in the 2019–20 financial year, compared to \$4.4 million of assets in the 2018–19 financial year. This is consistent year on 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 \$0.27 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

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

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

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

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

The Council did not recognise right-of-use assets or lease liabilities 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.



Michael Kharzoo  
Delegate of the Auditor-General for New South Wales

cc: Mr Peter Veneris, General Manager  
Craig Fletcher, Director of Corporate and Community Services  
Jim Betts, Secretary of the Department of Planning, Industry and Environment

**General Purpose Financial Statements**  
for the year ended 30 June 2020

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# Lockhart Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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Lockhart  
Shire Council

# Special Purpose Financial Statements

for the year ended 30 June 2020

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Statement of Financial Position – Sewerage Business Activity	5
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<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>9</b>

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## Background

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

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

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

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

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



## Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 21 September 2020.



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Clr Rodger Schirmer  
Mayor  
21 September 2020



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Peter Veneris  
General Manager  
21 September 2020



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Clr Greg Verdon  
Councillor  
21 September 2020



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Craig Fletcher  
Responsible Accounting Officer  
21 September 2020

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	514	474
User charges	6	9
Fees	–	4
Interest	38	22
<b>Total income from continuing operations</b>	<b>558</b>	<b>509</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	100	102
Borrowing costs	34	42
Materials and contracts	226	211
Depreciation, amortisation and impairment	206	209
Other expenses	27	42
<b>Total expenses from continuing operations</b>	<b>593</b>	<b>606</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(35)</b>	<b>(97)</b>
Grants and contributions provided for capital purposes	73	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>38</b>	<b>(97)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>38</b>	<b>(97)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>38</b>	<b>(97)</b>
<b>Plus accumulated surplus</b>	<b>7,371</b>	<b>7,468</b>
<b>Plus adjustments for amounts unpaid:</b>		
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>7,409</b>	<b>7,371</b>
<b>Return on capital %</b>	<b>0.0%</b>	<b>(0.5)%</b>
<b>Subsidy from Council</b>	<b>82</b>	<b>190</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	38	(97)
Less: capital grants and contributions (excluding developer contributions)	(73)	–
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,143	1,973
Receivables	68	64
<b>Total current assets</b>	<b>2,211</b>	<b>2,037</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	9,221	10,229
<b>Total non-current assets</b>	<b>9,221</b>	<b>10,229</b>
<b>TOTAL ASSETS</b>	<b>11,432</b>	<b>12,266</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	4	–
Borrowings	36	35
Provisions	–	5
<b>Total current liabilities</b>	<b>40</b>	<b>40</b>
<b>Non-current liabilities</b>		
Borrowings	895	928
Provisions	–	2
<b>Total non-current liabilities</b>	<b>895</b>	<b>930</b>
<b>TOTAL LIABILITIES</b>	<b>935</b>	<b>970</b>
<b>NET ASSETS</b>	<b>10,497</b>	<b>11,296</b>
<b>EQUITY</b>		
Accumulated surplus	7,409	7,371
Revaluation reserves	3,088	3,925
<b>TOTAL EQUITY</b>	<b>10,497</b>	<b>11,296</b>

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

### Note 1. Significant Accounting Policies

---

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

None

##### Category 2

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

##### Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing the villages of Lockhart, The Rock and Yerong Creek.

#### Monetary amounts

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

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

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

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#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

#### Income tax

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

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

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

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

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

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

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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

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

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

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

#### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

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

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

#### (iv) Dividends

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

Local government sewerage businesses are permitted to pay an annual dividend from its 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 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**

#### **Lockhart Shire Council**

To the Councillors of Lockhart Shire Council

### **Opinion**

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

The Declared Business Activity of the Council is Sewerage service.

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Statements

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

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

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

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](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.

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo

Delegate of the Auditor-General for New South Wales

6 November 2020  
SYDNEY

# Lockhart Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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Lockhart  
Shire Council

**Special Schedules**

for the year ended 30 June 2020

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## Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	2,477	2,414
Plus or minus adjustments <sup>2</sup>	b	1	5
<b>Notional general income</b>	c = a + b	<b>2,478</b>	<b>2,419</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)	64	65
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>2,542</b>	<b>2,484</b>
Plus (or minus) last year's carry forward total	l	9	1
<b>Sub-total</b>	n = (l + m)	<b>9</b>	<b>1</b>
<b>Total permissible income</b>	o = k + n	<b>2,551</b>	<b>2,485</b>
Less notional general income yield	p	2,542	2,477
<b>Catch-up or (excess) result</b>	q = o - p	<b>9</b>	<b>9</b>
Less unused catch-up <sup>5</sup>	s	(1)	-
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>8</b>	<b>9</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.
- (5) 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.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



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

To the Councillors of Lockhart Shire Council

### **Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Lockhart 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 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo

Delegate of the Auditor-General for New South Wales

6 November 2020  
SYDNEY

Report on Infrastructure Assets  
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
<b>(a) Report on Infrastructure Assets - Values</b>													
<b>Buildings</b>	Buildings – non-specialised	250	–	70	55	4,381	6,669	28.0%	37.0%	30.0%	5.0%	0.0%	
	Buildings – specialised	150	–	25	7	8,069	15,173	30.0%	25.0%	30.0%	10.0%	5.0%	
	<b>Sub-total</b>	<b>400</b>	<b>–</b>	<b>95</b>	<b>62</b>	<b>12,450</b>	<b>21,842</b>	<b>29.4%</b>	<b>28.7%</b>	<b>30.0%</b>	<b>8.5%</b>	<b>3.5%</b>	
<b>Other structures</b>	Other structures	–	–	–	–	211	321	0.0%	0.0%	0.0%	0.0%	100.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>211</b>	<b>321</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	
<b>Roads</b>	Sealed roads	–	–	600	437	109,032	136,122	25.0%	50.0%	25.0%	0.0%	0.0%	
	Unsealed roads	–	–	500	680	68,872	76,648	40.0%	10.0%	50.0%	0.0%	0.0%	
	Bridges	–	–	–	–	3,137	4,853	75.0%	25.0%	0.0%	0.0%	0.0%	
	Footpaths	–	–	–	7	943	1,771	85.0%	10.0%	5.0%	0.0%	0.0%	
	Other road assets	–	–	–	–	4,928	10,226	0.0%	10.0%	90.0%	0.0%	0.0%	
	Bulk earthworks	–	–	–	–	7,080	7,080	0.0%	30.0%	40.0%	30.0%	0.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,100</b>	<b>1,124</b>	<b>193,992</b>	<b>236,700</b>	<b>29.5%</b>	<b>33.9%</b>	<b>35.7%</b>	<b>0.9%</b>	<b>0.0%</b>	
<b>Sewerage network</b>	Sewerage network	–	–	150	136	9,222	15,614	85.0%	5.0%	10.0%	0.0%	0.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>150</b>	<b>136</b>	<b>9,222</b>	<b>15,614</b>	<b>85.0%</b>	<b>5.0%</b>	<b>10.0%</b>	<b>0.0%</b>	<b>0.0%</b>	
<b>Stormwater drainage</b>	Stormwater drainage	–	–	–	2	3,110	3,215	25.0%	50.0%	25.0%	0.0%	0.0%	
	Other	–	–	–	–	–	3,215	0.0%	0.0%	0.0%	0.0%	100.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>3,110</b>	<b>6,430</b>	<b>12.5%</b>	<b>25.0%</b>	<b>12.5%</b>	<b>0.0%</b>	<b>50.0%</b>	
<b>Open space / recreational assets</b>	Swimming pools	–	–	20	69	3,739	3,889	100.0%	0.0%	0.0%	0.0%	0.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Open Space/Recreation	–	–	275	274	1,105	2,958	0.0%	0.0%	0.0%	0.0%	100.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>295</b>	<b>343</b>	<b>4,844</b>	<b>6,847</b>	<b>56.8%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>43.2%</b>	
<b>TOTAL - ALL ASSETS</b>		<b>400</b>	<b>–</b>	<b>1,640</b>	<b>1,667</b>	<b>223,829</b>	<b>287,754</b>	<b>32.7%</b>	<b>30.9%</b>	<b>32.5%</b>	<b>1.4%</b>	<b>2.5%</b>	

(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	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>4,073</b>	<b>124.44%</b>	159.67%	57.15%	>=100.00%
Depreciation, amortisation and impairment	<b>3,273</b>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>400</b>	<b>0.18%</b>	0.59%	1.07%	<2.00%
Net carrying amount of infrastructure assets	<b>223,829</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>1,667</b>	<b>101.65%</b>	105.98%	111.42%	>100.00%
Required asset maintenance	<b>1,640</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>—</b>	<b>0.00%</b>	0.00%	0.00%	
Gross replacement cost	<b>287,754</b>				

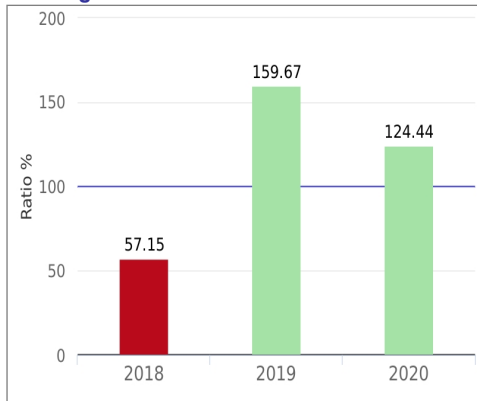
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

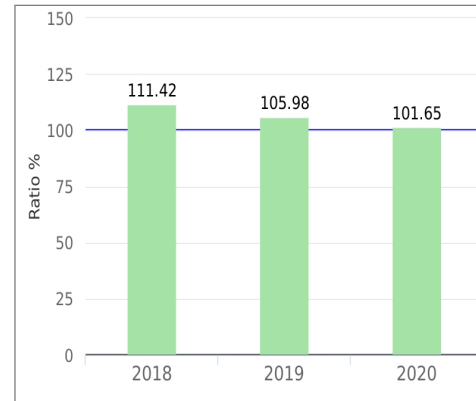
**Commentary on result**

19/20 ratio 124.44%

A healthy ratio with an average of 112.03 over the 4 year period 2017-2020 that is above the industry 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.

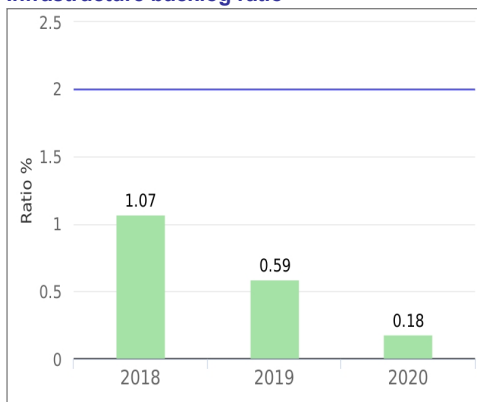
**Commentary on result**

19/20 ratio 101.65%

Consistent with average of 106.3

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.

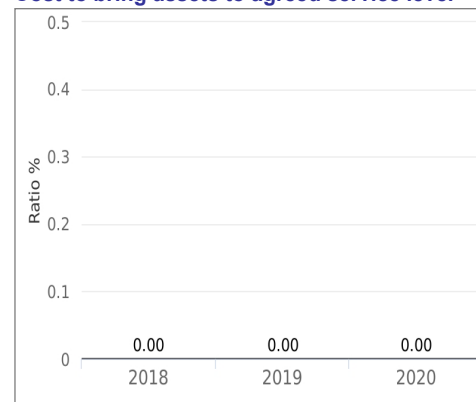
**Commentary on result**

19/20 ratio 0.18%

Average remains under the industry 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 0.00%

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

\$ '000	General fund		Sewer fund		Benchmark
	2020	2019	2020	2019	
<b>Infrastructure asset performance indicators (by fund)</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>					
Depreciation, amortisation and impairment	<b>132.80%</b>	117.68%	<b>0.00%</b>	673.21%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard					
Net carrying amount of infrastructure assets	<b>0.19%</b>	0.57%	<b>0.00%</b>	0.88%	<2.00%
<b>Asset maintenance ratio</b>					
Actual asset maintenance					
Required asset maintenance	<b>102.75%</b>	106.67%	<b>90.67%</b>	99.35%	>100.00%
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council					
Gross replacement cost	<b>0.00%</b>	0.00%	<b>0.00%</b>	∞	

(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.