

Walcha Council

DRAFT ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020



Walcha Council

DRAFT GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

2W Hamilton Street
Walcha NSW 2354

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.walcha.nsw.gov.au.

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 28 October 2020.

Clr Eric Noakes
Mayor
28 October 2020

Clr Jennifer Kealy
Deputy Mayor
28 October 2020

Anne Moddero
General Manager
28 October 2020

Rosemary Strobel
Responsible Accounting Officer
28 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
4,894	Rates and annual charges	3a	4,924	4,660
3,525	User charges and fees	3b	4,062	3,733
195	Other revenues	3c	1,437	889
4,655	Grants and contributions provided for operating purposes	3d,3e	6,981	6,052
8,795	Grants and contributions provided for capital purposes	3d,3e	2,403	2,456
173	Interest and investment income	4	118	224
–	Rental income	12e	60	–
22,237	Total income from continuing operations		19,985	18,014
Expenses from continuing operations				
4,696	Employee benefits and on-costs	5a	6,245	5,588
87	Borrowing costs	5b	69	69
4,048	Materials and contracts	5c	5,846	5,985
3,361	Depreciation and amortisation	5d	3,728	3,187
1,409	Other expenses	5e	1,460	1,415
(8)	Net losses from the disposal of assets	6	93	447
13,593	Total expenses from continuing operations		17,441	16,691
8,644	Operating result from continuing operations		2,544	1,323
8,644	Net operating result for the year		2,544	1,323
8,644	Net operating result attributable to council		2,544	1,323
(140)	Net operating result for the year before grants and contributions provided for capital purposes		141	(1,133)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		2,544	1,323
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	<u>(4,701)</u>	<u>(30,459)</u>
Total items which will not be reclassified subsequently to the operating result		<u>(4,701)</u>	<u>(30,459)</u>
Total other comprehensive income for the year		<u>(4,701)</u>	<u>(30,459)</u>
Total comprehensive income for the year		<u>(2,157)</u>	<u>(29,136)</u>
Total comprehensive income attributable to Council		(2,157)	(29,136)

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 ¹
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	5,225	3,170
Investments	7(b)	2,326	4,724
Receivables	8	1,241	4,028
Inventories	9	652	751
Contract assets	11a	3,058	–
Total current assets		<u>12,502</u>	<u>12,673</u>
Non-current assets			
Infrastructure, property, plant and equipment	10(a)	414,533	415,797
Right of use assets	12a	80	–
Total non-current assets		<u>414,613</u>	<u>415,797</u>
Total assets		<u>427,115</u>	<u>428,470</u>
LIABILITIES			
Current liabilities			
Payables	13	1,637	1,875
Income received in advance	13	–	39
Contract liabilities	11b	1,209	–
Lease liabilities	12b	59	–
Borrowings	13	84	79
Provisions	14	2,276	2,108
Total current liabilities		<u>5,265</u>	<u>4,101</u>
Non-current liabilities			
Payables	13	59	63
Lease liabilities	12b	14	–
Borrowings	13	225	309
Provisions	14	2,544	2,308
Total non-current liabilities		<u>2,842</u>	<u>2,680</u>
Total liabilities		<u>8,107</u>	<u>6,781</u>
Net assets		<u>419,008</u>	<u>421,689</u>
EQUITY			
Accumulated surplus	15	160,860	158,840
Revaluation reserves	15	258,148	262,849
Council equity interest		<u>419,008</u>	<u>421,689</u>
Total equity		<u>419,008</u>	<u>421,689</u>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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		158,840	262,849	421,689	147,527	293,308	440,835
Correction of prior period errors		–	–	–	9,990	–	9,990
Changes due to AASB 1058 and AASB 15 adoption	15	(524)	–	(524)	–	–	–
Changes due to AASB 16 adoption		–	–	–	–	–	–
Restated opening balance		158,316	262,849	421,165	157,517	293,308	450,825
Net operating result for the year		2,544	–	2,544	1,323	–	1,323
Restated net operating result for the period		2,544	–	2,544	1,323	–	1,323
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	(4,701)	(4,701)	–	(30,459)	(30,459)
Other comprehensive income		–	(4,701)	(4,701)	–	(30,459)	(30,459)
Total comprehensive income		2,544	(4,701)	(2,157)	1,323	(30,459)	(29,136)
Equity – balance at end of the reporting period		160,860	258,148	419,008	158,840	262,849	421,689

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
<i>Receipts:</i>				
4,894	Rates and annual charges		4,902	4,648
3,525	User charges and fees		4,404	3,443
173	Investment revenue and interest		117	223
14,746	Grants and contributions		6,980	7,730
195	Other		5,203	1,523
<i>Payments:</i>				
(4,696)	Employee benefits and on-costs		(6,212)	(5,479)
(4,048)	Materials and contracts		(6,768)	(5,955)
(87)	Borrowing costs		(27)	(29)
(1,409)	Other		(1,947)	(1,529)
13,293	Net cash provided (or used in) operating activities	16b	6,652	4,575
Cash flows from investing activities				
<i>Receipts:</i>				
313	Sale of infrastructure, property, plant and equipment		288	195
<i>Payments:</i>				
402	Purchase of investment securities		2,398	2,605
(12,350)	Purchase of infrastructure, property, plant and equipment		(7,140)	(6,005)
(11,635)	Net cash provided (or used in) investing activities		(4,454)	(3,205)
Cash flows from financing activities				
<i>Payments:</i>				
(79)	Borrowings and advances		(79)	(74)
(63)	Lease liabilities (principal repayments)		(64)	–
(142)	Net cash flow provided (used in) financing activities		(143)	(74)
1,516	Net increase/(decrease) in cash and cash equivalents		2,055	1,296
3,170	Cash and cash equivalents – beginning of year	16a	3,170	1,874
4,686	Cash and cash equivalents – end of the year	16a	5,225	3,170
3,365	plus: Investments on hand – end of year	7(b)	2,326	4,724
8,051	Total cash, cash equivalents and investments		7,551	7,894

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

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

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General Purpose Operations
- Water Service
- Sewerage Service

(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.

Council currently has no monies held in Trust.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Volunteer services are services received by an entity from individuals or other entities without charge or for consideration significantly less than the fair value of those services

Council utilises volunteers in the Community Services & Education function for delivering meals on wheels and medical drives, and also in the Economic Affairs function to provide assistance in the Visitor Information Centre. Council has estimated volunteer services for 2019/20 to be under \$70,000 if those services were provide by casual employees. This is below Council's materiality threshold and therefore Council has elected not to recognise the value as revenue.

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.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 15 (c) - Changes in accounting policies due to adoption of new accounting standards,

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Administration	131	120	977	855	(846)	(735)	1	–	20,212	15,891
Public Order & Safety	85	44	330	306	(245)	(262)	81	41	344	355
Health	–	1	16	50	(16)	(49)	–	–	–	–
Environment	934	750	1,129	1,021	(195)	(271)	–	1	9,588	11,017
Community Services & Education	1,011	1,463	1,087	1,592	(76)	(129)	848	1,209	2,072	837
Housing & Community Amenities	69	215	315	480	(246)	(265)	–	149	1,441	1,190
Recreation & Culture	902	1,872	1,454	2,192	(552)	(320)	838	1,737	6,668	6,630
Mining, Manufacturing & Construction	10	57	361	64	(351)	(7)	–	–	969	82
Transport & Communication	7,583	5,026	7,902	7,244	(319)	(2,218)	3,620	1,446	358,879	362,805
Economic Affairs	1,676	875	2,320	1,321	(644)	(446)	308	88	344	486
General Purpose Revenues	6,031	6,003	–	–	6,031	6,003	2,459	2,419	–	–
Water Supplies	1,015	898	1,060	1,061	(45)	(163)	330	120	16,963	17,423
Sewerage Services	538	690	490	505	48	185	76	261	10,024	10,625
Other	–	–	–	–	–	–	–	–	(389)	1,129
Total functions and activities	19,985	18,014	17,441	16,691	2,544	1,323	8,561	7,471	427,115	428,470

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Administration

Includes corporate support and other support services, engineering works and council policy compliance. Also incorporates Governance costs including election expenses, members fees and expenses, subscriptions to local authority associations, meetings of Council and policy making committees, public disclosure (GIPA) and legislative compliance

Public Order & Safety

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

Health

Includes food control, health services.

Environment

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

Community Services & Education

Includes administration and education; social protection (welfare); Aboriginal and other community services (excluding accommodation - as it is covered under 'housing and community amenities'; youth services; aged and disabled persons services; children's services, including preschool; and other family and children's services. Also includes Community Transport.

Housing & Community Amenities

Includes public cemeteries; public conveniences; town planning; streetscaping; council owned houses and other community amenities.

Recreation & Culture

Includes public libraries; open air art gallery; parks and reserves; sporting grounds and facilities; swimming pool and other sporting and recreational facilities.

Mining, Manufacturing & Construction

Includes building control, quarries and pits.

Transport & Communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, street lighting, road safety, works depot and aerodromes; RMS works and other.

Economic Affairs

Includes tourism and area promotion, industrial development promotion, private works, truck wash bay and other business undertakings.

General Purpose Revenues

Revenue from rates, untied grant funding, interest from investments.

Water Supplies

Water treatment services

Sewerage Services

Sewerage services

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	466	454
Farmland	1058 (1)	2,903	2,835
Business	1058 (1)	116	114
Less: pensioner rebates (mandatory)	1058 (1)	(31)	(33)
Rates levied to ratepayers		3,454	3,370
Pensioner rate subsidies received	1058 (1)	17	19
Total ordinary rates		3,471	3,389
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	485	406
Water supply services	1058 (1)	319	289
Sewerage services	1058 (1)	327	327
Waste management services (non-domestic)	1058 (1)	345	276
Less: pensioner rebates (mandatory)	1058 (1)	(60)	(59)
Annual charges levied		1,416	1,239
Pensioner subsidies received:			
– Water	1058 (1)	11	9
– Sewerage	1058 (1)	11	9
– Domestic waste management	1058 (1)	15	14
Total annual charges		1,453	1,271
TOTAL RATES AND ANNUAL CHARGES		4,924	4,660

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

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

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

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

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

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (1)	350	406
Sewerage services	15 (1)	115	120
Waste management services (non-domestic)	15 (1)	40	11
Total specific user charges		505	537
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	15 (1)	–	1
Planning and building regulation	15 (1)	30	33
Private works – section 67	15 (1)	108	185
Section 10.7 certificates (EP&A Act)	15 (1)	16	14
Section 603 certificates	15 (1)	4	1
Animal control	15 (1)	4	3
Total fees and charges – statutory/regulatory		162	237
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (1)	–	3
Aged care	15 (1)	63	79
Cemeteries	15 (1)	35	29
Child care	15 (1)	99	173
Fire and emergency services levy (FESL) implementation	15 (1)	–	2
Gravel pits	15 (1)	–	52
Lease rentals	15 (1)	–	13
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (2)	3,183	2,575
Swimming centres	15 (1)	15	28
Other	15 (1)	–	5
Total fees and charges – other		3,395	2,959
TOTAL USER CHARGES AND FEES		4,062	3,733

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

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

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

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

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

Accounting policy for user charges and fees

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

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

2019 accounting policy

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

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

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties (2019 only)	15 (1)	–	13
Commissions and agency fees	15 (1)	73	72
Diesel rebate	15 (1)	58	48
Recycling income (non-domestic)	15 (1)	72	57
Sales – general	15 (1)	11	14
Administration		–	28
Town planning		–	1
Other – staff FBT contribution	15 (1)	–	16
Other	15 (1)	54	89
Other - Natural Disaster Costs Reimbursement	15 (1)	1,169	551
Other	15 (1)	–	–
<u>TOTAL OTHER REVENUE</u>		<u>1,437</u>	<u>889</u>

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance	1058 (1)	1,194	1,187	–	–
Payment in advance - future year allocation					
Financial assistance	1058 (1)	1,265	1,231	–	–
Total general purpose		2,459	2,418	–	–
Specific purpose					
Water supplies	1058 (1)	148	77	161	–
Sewerage services	1058 (2)	–	–	55	218
Bushfire and emergency services	1058 (1)	77	47	–	–
Community care	1058 (1)	2	3	–	–
Community centres	1058 (2)	84	70	–	–
Economic development	1058 (2)	50	30	257	59
Employment and training programs		41	86	–	–
Heritage and cultural		–	100	–	–
Library	1058 (1)	–	–	23	–
Library – per capita	1058 (1)	68	25	–	–
LIRS subsidy	1058 (1)	12	15	–	–
Recreation and culture	1058 (2)	245	1,000	419	642
Street lighting		–	11	–	–
Transport (roads to recovery)	1058 (1)	888	606	–	–
Transport (other roads and bridges funding)	1058 (2)	1,255	–	1,465	814
Animal control	1058 (1)	4	(6)	–	–
Preschool	1058 (1)	515	437	15	457
Waste		–	1	–	–
WCCC (formerly HACCC)	1058 (1)	317	312	–	–
Other		1	49	–	–
Total specific purpose		3,707	2,863	2,395	2,190
Total grants		6,166	5,281	2,395	2,190
Grant revenue is attributable to:					
– Commonwealth funding		4,866	4,235	755	353
– State funding		1,300	1,046	1,640	1,837
		6,166	5,281	2,395	2,190

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Other contributions:						
Cash contributions						
Recreation and culture		1058 (1)	32	–	–	30
RMS contributions (regional roads, block grant)		1058 (1)	771	759	–	225
Tourism		1058 (1)	12	12	–	–
Total other contributions – cash			815	771	–	255
Non-cash contributions						
Business development		1058 (1)	–	–	8	–
Recreation and culture			–	–	–	11
Total other contributions – non-cash			–	–	8	11
Total other contributions			815	771	8	266
Total contributions			815	771	8	266
TOTAL GRANTS AND CONTRIBUTIONS			6,981	6,052	2,403	2,456

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

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

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

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

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

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

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

The performance obligations are varied based on the agreement but include funding for events such as the Walcha Motorcycle Festival. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	419	298
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	240
Add: operating grants received for the provision of goods and services in a future period	1,756	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	(204)	(119)
Less: operating grants received in a previous reporting period now spent and recognised as income	(66)	–
Unexpended and held as externally restricted assets (operating grants)	1,905	419
Unexpended Operating Grants (funding received but not spent at 30 June) include:		
Stronger Country Communities Funding for non Council Assets:		
- Community Youth Hall \$50,753		
- Walcha Men's Shed Relocation \$130,180; as well as		
Drought Communities Funding for Village Halls renovations \$134,129;		
Bushfire Community Resilience & Economic Recovery Funding - Motorcycle Rally & Resilience Projects \$100,000;		
Bushfire Recovery Funding \$1,252,947		
Unspent Preschool Funding carried forward \$103,69;		
ACWSP Funding for Water & Sewer trainee \$64,749;		
Plus \$68,498 assorted unspent grants.		
Capital grants		
Unexpended at the close of the previous reporting period	562	519
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	562
Add: capital grants received for the provision of goods and services in a future period	548	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	(104)	(520)
Less: capital grants received in a previous reporting period now spent and recognised as income	(233)	–
Unexpended and held as externally restricted assets (capital grants)	773	561
Capital Grants funding received but but spent at 30 June include:		
Stronger Countries Community Funding for following projects not completed:		
- Walcha Community Gym Upgrade, \$224,458		
- Levee Bank Lighting, \$107,435		
Drought Communities Funding for Council Amenities upgrades \$225,773 and Water Treatment Plant upgrade \$105,897		
Plus \$109,057 other unspent grants.		
Contributions		
Unexpended at the close of the previous reporting period	53	41
Add: contributions recognised as income in the current period but not yet spent	–	12
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
Less: contributions recognised in a previous reporting period now spent	(10)	–
Unexpended and held as externally restricted assets (contributions)	43	53

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Unspent Developer Contribution \$21,000
 Donations received for the Open Air Gallery \$21,750.

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	14	12
– Cash and investments	104	212
Total Interest and investment income	118	224
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	9	12
General Council cash and investments	93	189
Restricted investments/funds – external:		
Water fund operations	6	9
Sewerage fund operations	10	14
Total interest and investment revenue	118	224

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	4,875	4,402
Employee leave entitlements (ELE)	1,293	1,202
Superannuation – defined contribution plans	477	436
Superannuation – defined benefit plans	233	254
Workers' compensation insurance	73	134
Fringe benefit tax (FBT)	45	40
Other	–	9
Total employee costs	6,996	6,477
Less: capitalised costs	(751)	(889)
TOTAL EMPLOYEE COSTS EXPENSED	6,245	5,588
Number of 'full-time equivalent' employees (FTE) at year end ¹	75	80

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 22 for more information.

(1) The Organisational Structure allows for ** FTE. A number of positions are vacant at 30 June 2020

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		2	–
Interest on loans		25	29
Total interest bearing liability costs		27	29
Total interest bearing liability costs expensed		27	29
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	14	42	40
Total other borrowing costs		42	40
TOTAL BORROWING COSTS EXPENSED		69	69

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

Note 5. Expenses from continuing operations (continued)

Accounting policy for borrowing costs

Borrowing costs are expensed as they are incurred.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	6,205	4,339
Contractor and consultancy costs	5,982	5,881
Auditors remuneration ¹	47	54
Legal expenses:		
– Legal expenses: other	3	11
Variable lease expense relating to usage (2020 only)	18	–
Total materials and contracts	<u>12,255</u>	<u>10,285</u>
Less: capitalised costs	(6,409)	(4,300)
TOTAL MATERIALS AND CONTRACTS	<u>5,846</u>	<u>5,985</u>

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. 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	47	54
Remuneration for audit and other assurance services	<u>47</u>	<u>54</u>
Total Auditor-General remuneration	<u>47</u>	<u>54</u>
Non NSW Auditor-General audit firms		
Total Auditor remuneration	<u>47</u>	<u>54</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		483	412
Office equipment		5	1
Furniture and fittings		4	4
Infrastructure:	10(a)		
– Buildings – specialised		334	310
– Other structures		54	52
– Roads		1,386	1,502
– Bridges		675	185
– Footpaths		63	61
– Stormwater drainage		61	61
– Water supply network		315	316
– Sewerage network		129	124
Right of use assets	12	57	–
Other assets:			
– Heritage collections		2	1
– Other		94	92
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	14,10(a)	59	59
– Quarry assets	14,10(a)	7	7
Total gross depreciation and amortisation costs		<u>3,728</u>	<u>3,187</u>
Total depreciation and amortisation costs		<u>3,728</u>	<u>3,187</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>3,728</u>	<u>3,187</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 for IPPE assets.

Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Training costs (other than salaries and wages)	95	112
Bad and doubtful debts	6	1
Bank charges	10	11
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	5	4
– NSW fire brigade levy	15	14
– NSW rural fire service levy	184	162
– Library	66	63
– Sundry	43	30
Councillor expenses – mayoral fee	26	26
Councillor expenses – councillors' fees	91	92
Councillors' expenses (incl. mayor) – other (excluding fees above)	83	87
Electricity and heating	181	131
Insurance	289	300
Noxious weeds	81	79
Postage	7	7
Printing and stationery	8	41
Rates and charges	169	144
Street lighting	33	42
Telephone and communications	53	51
Valuation fees	15	18
Total other expenses	1,460	1,415
<u>TOTAL OTHER EXPENSES</u>	<u>1,460</u>	<u>1,415</u>

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Less: carrying amount of property assets sold/written off		–	(460)
Net gain/(loss) on disposal		–	(460)
Plant and equipment			
	10(a)		
Proceeds from disposal – plant and equipment		288	195
Less: carrying amount of plant and equipment assets sold/written off		(304)	(182)
Net gain/(loss) on disposal		(16)	13
Infrastructure			
	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(46)	–
Net gain/(loss) on disposal		(46)	–
Other Land & Property			
Less: carrying amount of assets sold/written off		(19)	–
Net gain/(loss) on disposal		(19)	–
Other Structures			
Less: carrying amount of Other Structure assets sold/written off		(12)	–
Net gain/(loss) on disposal		(12)	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(93)	(447)

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.

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	5,225	3,170
Total cash and cash equivalents	5,225	3,170

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). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost'	2,326	–	4,724	–
Total Investments	2,326	–	4,724	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	7,551	–	7,894	–
Financial assets at amortised cost				
Term deposits	2,326	–	4,724	–
Total	2,326	–	4,724	–

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	7,551	–	7,894	–
attributable to:				
External restrictions	3,491	–	1,958	–
Internal restrictions	3,871	–	4,677	–
Unrestricted	189	–	1,259	–
	7,551	–	7,894	–

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	2,508	–
Specific purpose unexpended grants – water fund (2020 only)	138	–
Specific purpose unexpended grants – sewer fund (2020 only)	32	–
External restrictions – included in liabilities	2,678	–

External restrictions – other

Developer contributions – general	21	21
Specific purpose unexpended grants (recognised as revenue) – general fund	–	981
Water supplies	172	314
Sewerage services	598	609
Public Art Donations	22	22
Other	–	11
External restrictions – other	813	1,958

Total external restrictions

	3,491	1,958
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Internal restrictions

Plant and vehicle replacement	607	1,453
Infrastructure replacement	1,894	1,570
Employees leave entitlement	757	757
Housing Investment	–	251
Landfills upgrade (Woolbrook and Nowendoc)	–	11
Preschool	–	60
Quarries remediation	313	313
Tip site remediation	220	162
Project Development	80	100
Total internal restrictions	3,871	4,677

TOTAL RESTRICTIONS

	7,362	6,635
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	182	–	160	–
Interest and extra charges	12	–	11	–
User charges and fees	23	–	23	–
Accrued revenues				
– Other income accruals	–	–	885	–
General debtors	624	–	2,879	–
Net GST receivable	359	–	–	–
Prepayments	51	–	74	–
Total	1,251	–	4,032	–
Less: provision of impairment				
Other debtors	(10)	–	(4)	–
Total provision for impairment – receivables	(10)	–	(4)	–
TOTAL NET RECEIVABLES	1,241	–	4,028	–

Externally restricted receivables

Water supply

– Rates and availability charges	32	–	32	–
– Other	62	–	17	–

Sewerage services

– Rates and availability charges	29	–	26	–
– Other	39	–	10	–

Total external restrictions	162	–	85	–
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Unrestricted receivables	1,079	–	3,943	–
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TOTAL NET RECEIVABLES	1,241	–	4,028	–
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\$ '000	2020	2019
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Movement in provision for impairment of receivables

Balance at the beginning of the year (calculated in accordance with AASB 139)	4	5
+ new provisions recognised during the year	6	–
– amounts already provided for and written off this year	–	(1)
Balance at the end of the year	10	4

Accounting policy for receivables

Recognition and measurement

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Inventories				
(i) Inventories at cost				
Stores and materials	256	–	268	–
Trading stock	396	–	483	–
Total inventories at cost	652	–	751	–
<u>TOTAL INVENTORIES</u>	<u>652</u>	<u>–</u>	<u>751</u>	<u>–</u>

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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Increase / Decrease Rehabilitation Provision	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	2,523	–	2,523	–	1,964	–	–	(1,983)	–	–	–	2,504	–	2,504
Plant and equipment	6,477	(3,324)	3,153	1,464	253	(323)	(483)	2	–	–	–	7,348	(3,282)	4,066
Office equipment	136	(122)	14	–	19	–	(5)	–	–	–	–	155	(127)	28
Furniture and fittings	100	(82)	18	–	–	–	(4)	–	–	–	–	100	(86)	14
Land:														
– Operational land	2,428	–	2,428	34	47	–	–	11	–	–	–	2,520	–	2,520
– Community land	2,162	–	2,162	–	–	–	–	–	–	–	–	2,162	–	2,162
Infrastructure:														
– Buildings – specialised	9,609	(3,645)	5,964	219	559	–	(334)	1,134	–	–	–	11,521	(3,979)	7,542
– Other structures	2,603	(1,183)	1,420	–	–	(10)	(54)	–	–	–	–	2,576	(1,220)	1,356
– Roads	163,834	(71,202)	92,632	1,248	–	–	(1,386)	423	–	(3,761)	–	109,883	(20,727)	89,156
– Bridges	64,634	(28,963)	35,671	90	842	(46)	(675)	240	–	–	–	65,125	(29,003)	36,122
– Footpaths and other road assets	6,181	(1,807)	4,374	54	46	–	(63)	133	–	–	–	6,372	(1,828)	4,544
– Bulk earthworks (non-depreciable)	227,104	–	227,104	–	–	–	–	–	–	–	–	227,104	–	227,104
– Stormwater drainage	11,363	(2,138)	9,225	–	–	–	(61)	–	–	(1,183)	–	10,310	(2,329)	7,981
– Water supply network	22,083	(5,611)	16,472	71	40	–	(315)	1	–	–	153	22,404	(5,982)	16,422
– Sewerage network	12,191	(2,533)	9,658	36	20	–	(129)	–	–	–	90	12,363	(2,688)	9,675
Other assets:														
– Heritage collections	234	(54)	180	2	–	–	(2)	–	–	–	–	237	(57)	180
– Other	2,988	(1,315)	1,673	25	107	(2)	(94)	39	–	–	–	3,155	(1,407)	1,748
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
– Tip assets	1,213	(169)	1,044	–	–	–	(59)	–	(121)	–	–	1,092	(228)	864
– Quarry assets	418	(336)	82	–	–	–	(7)	–	470	–	–	887	(342)	545
Total Infrastructure, property, plant and equipment	538,281	(122,484)	415,797	3,243	3,897	(381)	(3,671)	–	349	(4,944)	243	487,818	(73,285)	414,533

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

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

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

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	1,707	–	1,707	–	2,338	–	–	(1,522)	–	–	–	2,523	–	2,523
Plant and equipment	5,941	(3,237)	2,704	833	209	(182)	(412)	–	–	–	–	6,477	(3,324)	3,153
Office equipment	122	(121)	1	–	3	–	(1)	11	–	–	–	136	(122)	14
Furniture and fittings	100	(78)	22	–	–	–	(4)	–	–	–	–	100	(82)	18
Land:														
– Operational land	2,571	–	2,571	–	–	–	–	58	(201)	–	–	2,428	–	2,428
– Community land	1,368	–	1,368	–	–	–	–	–	201	–	594	2,162	–	2,162
Infrastructure:														
– Buildings – specialised	10,062	(3,407)	6,655	48	–	(460)	(310)	32	–	–	–	9,609	(3,645)	5,964
– Other structures	2,348	(1,131)	1,217	169	–	–	(52)	86	–	–	–	2,603	(1,183)	1,420
– Roads	163,563	(31,907)	131,656	1,478	–	–	(1,502)	208	–	(39,210)	–	163,834	(71,202)	92,632
– Bridges ²	64,341	(19,849)	44,492	161	–	–	(185)	–	–	(8,797)	–	64,634	(28,963)	35,671
– Footpaths	5,820	(1,914)	3,906	140	–	–	(61)	12	–	–	378	6,181	(1,807)	4,374
– Bulk earthworks (non-depreciable)	210,916	–	210,916	–	–	–	–	–	–	–	16,188	227,104	–	227,104
– Stormwater drainage	11,363	(2,077)	9,286	–	–	–	(61)	–	–	–	–	11,363	(2,138)	9,225
– Water supply network	21,624	(5,207)	16,417	113	–	–	(316)	–	–	–	258	22,083	(5,611)	16,472
– Sewerage network	10,594	(2,369)	8,225	–	350	–	(124)	1,077	–	–	130	12,191	(2,533)	9,658
Other assets:														
– Heritage collections	140	(53)	87	–	90	–	(1)	4	–	–	–	234	(54)	180
– Other	2,882	(1,224)	1,658	–	72	–	(92)	34	–	–	–	2,988	(1,315)	1,673
Reinstatement, rehabilitation and restoration assets (refer Note 17):														
– Tip assets	1,213	(110)	1,103	–	–	–	(59)	–	–	–	–	1,213	(169)	1,044
– Quarry assets	418	(329)	89	–	–	–	(7)	–	–	–	–	418	(336)	82
Total Infrastructure, property, plant and equipment	517,093	(73,013)	444,080	2,942	3,062	(642)	(3,187)	–	–	(48,007)	17,548	538,281	(122,484)	415,797

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

(2) Balances at 30/06/17 and 30/06/18 have been restated

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	10 to 20
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	3 to 5	Buildings	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
		Stormwater assets	
Water and sewer assets		Drains	80 to 100
Dams and reservoirs	100	Culverts	50 to 80
Bores	20 to 40	Flood control structures	80 to 100
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	75		
Pumps and telemetry	15 to 30		
Water Meters	10		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	Infinite
Sealed roads: surface	15 to 70	Swimming pools	60
Sealed roads: structure	50 to 120		
Unsealed roads	20 to 50		
Bridge: concrete	100		
Bridge: other	60		
Road pavements	60		
Kerb, gutter and footpaths	100		

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included on the income statement.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Where Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer Note 12. 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".

These Rural Fire Service assets comprising land, buildings and plant are recognised as assets of the Council in these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	168	–	168	1	–	1
Land						
– Operational land	394	–	394	394	–	394
Buildings	219	73	146	219	69	150
Infrastructure	22,405	5,982	16,423	22,083	5,611	16,472
Total water supply	23,186	6,055	17,131	22,697	5,680	17,017
Sewerage services						
WIP	119	–	119	12	–	12
Land						
– Operational land	259	–	259	259	–	259
Buildings	137	47	90	137	43	94
Infrastructure	12,363	2,688	9,675	12,191	2,533	9,658
Total sewerage services	12,878	2,735	10,143	12,599	2,576	10,023
Domestic waste management						
Land						
– Community land	148	–	148	148	–	148
Buildings	298	52	246	296	45	251
Other structures	241	74	167	241	62	179
Other assets	222	11	211	175	5	170
Total DWM	909	137	772	860	112	748
Other restricted assets						
Stormwater drainage	10,309	2,329	7,980	11,363	2,138	9,225
Total other restrictions	10,309	2,329	7,980	11,363	2,138	9,225
TOTAL RESTRICTED IPP&E	47,282	11,256	36,026	47,519	10,506	37,013

Note 11. Contract assets and liabilities

\$ '000	2020	2020
	Current	Non-current
(a) Contract assets		
Contract Assets under AASB 15	2,347	–
Grant Contract Assets under AASB 1058	325	–
Accrued Income under AASB 1058	386	–
Total Contract assets	3,058	–
(i) Externally restricted assets		
Externally restricted assets		
Water	274	–
Sewer	147	–
Total externally restricted assets	421	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities (continued)

\$ '000		2020 Current	2020 Non-current
Total restricted assets		421	–
Total unrestricted assets		2,637	–
Total contract assets		3,058	–

\$ '000	Notes	2020 Current	2020 Non-current
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(b) Contract liabilities**Grants and contributions received in advance:**

Unexpended capital grants (to construct Council controlled assets)	(i)	692	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	456	–
Total grants received in advance		1,148	–

User fees and charges received in advance:

Rates Payments Received in Advance		61	–
Total user fees and charges received in advance		61	–

Total contract liabilities		1,209	–
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Notes

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

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

(iii) Upfront payment of rates do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the following rating year.

\$ '000		2020 Current	2020 Non-current
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(i) Contract liabilities relating to restricted assets**Externally restricted assets**

Water		106	–
Unspent grants held as contract liabilities (excl. Water & Sewer)		2,572	–
Contract liabilities relating to externally restricted assets		2,678	–
Total contract liabilities relating to restricted assets		2,678	–
Total contract liabilities relating to unrestricted assets		(1,469)	–
Total contract liabilities		1,209	–

\$ '000		2020
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities (continued)

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	233
Operating grants (received prior to performance obligation being satisfied)	66
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	299

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.

Note 12. Leases

Council has two office leases and one lease for IT equipment.

(i) Council as a lessee**Terms and conditions of leases****Buildings**

Council leases buildings for Community Care and Visitor Information Centre; the leases are generally between 1 and 2 years and include a renewal option to allow Council to renew for up to 12 months.

The building leases contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Office and IT equipment

Leases for IT equipment are generally for low value assets, except for significant items such as photocopiers. The current equipment lease is for a further one year with no renewal option, the payments are fixed, however the lease includes a variable payment based on usage.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

\$ '000	Plant & Equipment	Ready to use	Total
(a) Right of use assets			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	118	–	118
Additions to right-of-use assets	8	–	8
Adjustments to right-of-use assets due to re-measurement of lease liability	12	–	12
Depreciation charge	(57)	–	(57)
Other movement	(1)	–	(1)
<u>RIGHT OF USE ASSETS</u>	<u>80</u>	<u>–</u>	<u>80</u>

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	59	14
<u>TOTAL LEASE LIABILITIES</u>	<u>59</u>	<u>14</u>

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	59	14	–	73	73

\$ '000	2020
(c) Income Statement	

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

Interest on lease liabilities	2
Variable lease payments based on usage not included in the measurement of lease liabilities	18
Depreciation of right of use assets	57
	<u>77</u>

(d) Statement of Cash Flows

Total cash outflow for leases	72
	<u>72</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

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

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

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

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

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

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

Refer to Note 5c and Note 14 (Provisions).

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

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

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

\$ '000	2020
(i) Operating lease income	
Investment properties	
Other lease income	
Room/Facility Hire	32
Leaseback fees - council vehicles	28
Total income relating to operating leases	60

(ii) Operating lease expenses

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

\$ '000	2020
Investment properties	
Other leased assets	
Other	201
Total expenses relating to operating leases	201

\$ '000	Plant & Equipment 2020	Buildings 2020	Operational Land 2020	Other Assets 2020
(v) Reconciliation of IPP&E assets leased out as operating leases				
Opening balance as at 1 July 2019	92	1,043	70	23
Additions renewals	6	–	–	–
Additions new assets	79	253	47	–
Depreciation expense	(32)	(63)	–	(1)
Closing balance as at 30 June 2020	145	1,233	117	22

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	1,290	59	1,357	63
Accrued expenses:				
– Other expenditure accruals	347	–	430	–
ATO – net GST payable	–	–	88	–
Total payables	1,637	59	1,875	63
Income received in advance (2019 only)				
Payments received in advance	–	–	39	–
Total income received in advance	–	–	39	–
Borrowings				
Loans – secured ¹	84	225	79	309
Total borrowings	84	225	79	309
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>1,721</u>	<u>284</u>	<u>1,993</u>	<u>372</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 23.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	30	132	12	75
Payables and borrowings relating to externally restricted assets	30	132	12	75
Total payables and borrowings relating to restricted assets	30	132	12	75
Total payables and borrowings relating to unrestricted assets	1,691	152	1,981	297
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>1,721</u>	<u>284</u>	<u>1,993</u>	<u>372</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	388	(79)	–	–	–	–	309
Lease liabilities	–	73	–	–	–	–	73
TOTAL	388	(6)	–	–	–	–	382

\$ '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	462	(74)	–	–	–	388
TOTAL	462	(74)	–	–	–	388

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

Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	48	48
Total financing arrangements	248	248

Undrawn facilities as at balance date:

– Bank overdraft facilities	200	200
– Credit cards/purchase cards	48	48
Total undrawn financing arrangements	248	248

Additional financing arrangements information**Breaches and defaults**

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	694	–	578	–
Long service leave	1,330	74	1,442	92
Time in lieu	131	–	82	–
Rostered day off	11	–	6	–
Sub-total – aggregate employee benefits	<u>2,166</u>	<u>74</u>	<u>2,108</u>	<u>92</u>
Asset remediation/restoration:				
Asset remediation/restoration (future works)	110	2,470	–	2,216
Sub-total – asset remediation/restoration	<u>110</u>	<u>2,470</u>	<u>–</u>	<u>2,216</u>
<u>TOTAL PROVISIONS</u>	<u>2,276</u>	<u>2,544</u>	<u>2,108</u>	<u>2,308</u>

(a) Provisions relating to restricted assets

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

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

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

Provisions – employees benefits	1,371	1,406
	<u>1,371</u>	<u>1,406</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

(c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2020				
At beginning of year	578	1,534	88	2,200
Additional provisions	573	(63)	72	582
Amounts used (payments)	(469)	(157)	(18)	(644)
Remeasurement effects	12	90	–	102
Total ELE provisions at end of year	694	1,404	142	2,240
2019				
At beginning of year	521	1,365	80	1,966
Additional provisions	360	157	17	534
Amounts used (payments)	(318)	(94)	(9)	(421)
Remeasurement effects	15	102	–	117
Other	–	4	–	4
Total ELE provisions at end of year	578	1,534	88	2,200

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	2,216	2,216
Unwinding of discount	42	42
Other	322	322
Total other provisions at end of year	2,580	2,580
2019		
At beginning of year	2,176	2,176
Unwinding of discount	40	40
Total other provisions at end of year	2,216	2,216

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

Rehabilitation

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

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

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

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

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Notes to the Financial Statements

for the year ended 30 June 2020

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(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.

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 1058	524
Total Contract liabilities	<u>524</u>

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	5,225	–	–	5,225	
Investments	2,326	–	–	2,326	
Receivables	1,241	3,058	–	4,299	
Inventories	652	–	–	652	
Contract assets	3,058	(3,058)	–	–	
Total current assets	<u>12,502</u>	<u>–</u>	<u>–</u>	<u>12,502</u>	
Current liabilities					
Payables	1,637	–	–	1,637	
Contract liabilities	1,209	(1,148)	–	61	
Lease liabilities	59	–	–	59	
Borrowings	84	–	–	84	
Provisions	2,276	–	–	2,276	
Total current liabilities	<u>5,265</u>	<u>(1,148)</u>	<u>–</u>	<u>4,117</u>	
Non-current assets					
Infrastructure, property, plant and equipment	414,533	–	–	414,533	
Right of use assets	80	–	–	80	
Total non-current assets	<u>414,613</u>	<u>–</u>	<u>–</u>	<u>414,613</u>	
Non-current liabilities					
Payables	59	–	–	59	
Lease liabilities	14	–	–	14	
Borrowings	225	–	–	225	
Provisions	2,544	–	–	2,544	
Total Non-current liabilities	<u>2,842</u>	<u>–</u>	<u>–</u>	<u>2,842</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)

\$ '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
Net assets	419,008	1,148	–	420,156	
Equity					
Accumulated surplus	160,860	–	–	160,860	
Revaluation reserves	258,148	–	–	258,148	
Council equity interest	419,008	–	–	419,008	
Total equity	419,008	–	–	419,008	

Reclassification adjustment from Contract Assets to Receivables in the amount of \$2,672,458 would be required if Council prepared the Statement of Financial Position under previous revenue standards. Previously Council reported accrued income on all grants within the Receivables Note. Those receivables in fact represent accrued income contract assets where Council performs by transferring goods or services to a customer or constructs Council controlled assets before the customer pays consideration or before payment is due by a fund provider.

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
Income from continuing operations					
Rates and annual charges	4,924	–	–	4,924	
User charges and fees	4,062	–	–	4,062	
Other revenues	1,437	–	–	1,437	
Grants and contributions provided for operating purposes	6,981	–	390	7,371	
Grants and contributions provided for capital purposes	2,403	–	234	2,637	
Interest and investment income	118	–	–	118	
Rental income	60	–	–	60	
Total Income from continuing operations	19,985	–	624	20,609	
Expenses from continuing operations					
Employee benefits and on-costs	6,245	–	–	6,245	
Borrowing costs	69	–	–	69	
Materials and contracts	5,846	–	–	5,846	
Depreciation and amortisation	3,728	–	–	3,728	
Other expenses	1,460	–	–	1,460	
Net losses from the disposal of assets	93	–	–	93	
Total Expenses from continuing operations	17,441	–	–	17,441	

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Total Operating result from continuing operations	2,544	–	624	3,168	
Net operating result for the year	2,544	–	624	3,168	
Total comprehensive income	(2,157)	–	–	(2,157)	

Re-measurement adjustment of:

- Capital Grant Income \$234,472; and
- Operating Grant Income \$389,959

would have been required in the 2020 Financial Statements if Council prepared the Income Statement under the previous revenue standards. Those adjustments represent the amount of unsatisfied performance obligation relating to construction of Council controlled assets (Capital) and Community owned assets (operating). Those amounts have to be recognised as liabilities by decreasing the income that would have been recognised under the previous *AASB 1004 Contributions*.

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	–	–	–
Contract liabilities	–	524	524
Total liabilities	6,781	524	7,305
Accumulated surplus	158,840	(524)	158,316
Total equity	(6,781)	(524)	(7,305)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	5,225	3,170
Balance as per the Statement of Cash Flows		5,225	3,170
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		2,544	1,323
Adjust for non-cash items:			
Depreciation and amortisation		3,728	3,187
Net losses/(gains) on disposal of assets		93	447
Adoption of AASB 15/1058		(524)	–
Unwinding of discount rates on reinstatement provisions		42	40
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		2,781	(1,622)
Increase/(decrease) in provision for impairment of receivables		6	(1)
Decrease/(increase) in inventories		99	(61)
Decrease/(increase) in contract assets		(3,058)	–
Increase/(decrease) in payables		(71)	1,041
Increase/(decrease) in other accrued expenses payable		(83)	(93)
Increase/(decrease) in other liabilities		(127)	80
Increase/(decrease) in contract liabilities		1,209	–
Increase/(decrease) in provision for employee benefits		40	234
Increase/(decrease) in other provisions		(27)	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		6,652	4,575

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Interests in other entities

Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

NAME OF ENTITY/OPERATION	PRINCIPAL ACTIVITY /TYPE OF ENTITY
New England Weeds Authority (NEWA)	Control of noxious weeds throughout the New England Region
Reason for non-recognition Walcha Council contributed \$81,476 to NEWA's operation in 2019-2020, along with Uralla Shire Council. Armidale Regional Council contributed \$201,603 and Glen Innes Severn 94,760. NEWA is an autonomous organisation with its board of directors made up of councillors from each constituent council. Walcha Council exercises no direct control over the Authority.	
Central Northern Regional Libraries (CNRL)	Provides library services to Tamworth, Narrabri, Liverpool Plains, Uralla and Walcha Councils
Reason for non-recognition Walcha Council contributed \$65,789 to CNRL in 2020. CNRL is managed by Tamworth Regional Council and Walcha Council has no control over the organisation.	
Statewide Limited	Provides insurance cover to Local Government
Reason for non-recognition Walcha Council is a member but has no control over the organisation.	
StateCover Limited	Provides Workers Compensation to Local Government
Reason for non-recognition Walcha Council is a member of StateCover and has no control over the organisation.	
Namoi Joint Organisation	Resolve issues of regional importance through Council collaboration.
Reason for non-recognition Walcha Council paid a membership of \$30,540 in 2020 and is one of five member councils. Other members are Gunnedah, Gwydir, Liverpool Plains and Tamworth. Walcha has no control over the organisation and no financial investment.	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments

\$ '000	2020	2019
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings and Other Structures	14	33
Plant and equipment	180	161
Other Structures	20	–
Roads	420	135
Other Assets	65	–
Water Services	999	71
Sewer Services	51	39
Other	97	–
Total commitments	1,846	439
These expenditures are payable as follows:		
Within the next year	1,846	439
Total payable	1,846	439
Sources for funding of capital commitments:		
Unrestricted general funds	142	406
Future grants and contributions	1,201	–
Externally restricted reserves	323	33
Internally restricted reserves	180	–
Total sources of funding	1,846	439

Details of capital commitments

To fund plant purchases and capital works in progress as at 30 June 2020.

\$ '000	2020	2019
(b) Non-cancellable operating lease commitments (2019 only)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	–	60
Later than one year and not later than 5 years	–	62
Total non-cancellable operating lease commitments	–	122

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

Council has an operating lease for a number of printer/photocopiers. The lease ends in July 2021.

Council leases office space at Walcha Hospital and shop space in the CBD. The current leases end in November 2021 and March 2021.

Conditions relating to finance and operating leases:

– All finance agreements are secured only against the leased asset.

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

Refer to Note 12 for information relating to leases for 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies

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

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

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

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

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

Description of the funding arrangements.

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

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2020, apportioned according to each employer's share of the accrued liabilities as at 30 June 2020. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$233,131.14. The last valuation of the Scheme was performed by Mr Richard Boyfield FIAA and covers the period ended 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$86,700. Council's expected contribution to the plan for the next annual reporting period is \$168,249.96.

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

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

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

The share of this deficit that is broadly attributed to Council is 0.22%.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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.

2. Other liabilities

(i) Third party claims

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 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.

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	5,225	3,170	5,225	3,170
Receivables	1,241	4,028	1,241	4,028
Investments				
– 'Financial assets at amortised cost'	2,326	4,724	2,326	4,724
Total financial assets	8,792	11,922	8,792	11,922
Financial liabilities				
Payables	1,696	1,938	1,696	1,938
Loans/advances	309	388	309	388
Lease liabilities	73	–	73	–
Total financial liabilities	2,078	2,326	2,078	2,326

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) 'at fair value through profit and loss' or (ii) 'available-for-sale' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

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 these 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

- **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.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	43	43	(43)	(43)
2019				
Possible impact of a 1% movement in interest rates	47	47	(47)	(47)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	163	8	11	–	182
2019						
Gross carrying amount	–	110	25	25	–	160

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	484	261	195	2	127	1,069
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2019						
Gross carrying amount	2,810	1,009	2	–	51	3,872
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

Payables, lease liabilities and borrowings are 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	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	–	1,637	59	–	1,696	1,696
Borrowings	0.00%	–	100	245	–	345	309
Total financial liabilities		–	1,737	304	–	2,041	2,005
2019							
Trade/other payables	0.00%	–	1,875	63	–	1,938	1,938
Borrowings	5.70%	–	100	345	–	445	388
Total financial liabilities		–	1,975	408	–	2,383	2,326

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 26/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	4,894	4,924	30	1% F
User charges and fees	3,525	4,062	537	15% F
<ul style="list-style-type: none"> • Actual revenue from State Roads maintenance was \$957,533 higher than budgeted due to additional ordered works. • Private works revenue was \$173,807 lower than budget due to Council staff being tied up with bushfire related works and very large capital works program. • Budgeted gate fees at Walcha Landfill were not realised, actual amount was \$62,917 below budget. The budget was revised downward in the quarterly review. • Preschool enrolments are slightly down resulting in fees being \$31,110 below budget. • Walcha residents were granted free admission to the town pool due to impacts of drought and bushfires, admission fees were \$14,191 below budget. • There were no revenues from quarry operations due to all quarries being closed after the licenced operator resigned from Council, budget of \$40,000 was not realised. • Drought and water restrictions impacted usage charges - Water charges were \$64,198 below budget and Sewer charges were \$6837 below. 				
Other revenues	195	1,437	1,242	637% F
<ul style="list-style-type: none"> • Other revenues includes reimbursement of costs relating to bushfires and 2018 storm damage from Natural Disaster Recovery Funding and from RMS; the total amount for the year is \$1,168,572. The budget was amended by \$835k to reflect the increase in the quarterly review. • Staff FBT Contributions were \$9856 higher than budget. • Rural Women's Gathering registrations and other payments resulted in Tourism revenue being \$31,564 higher than budget. This was carried over from the prior year and adjusted in the quarterly review. • Recycling income was \$37,754 higher than budget due to sales of iron and batteries. 				
Operating grants and contributions	4,655	6,981	2,326	50% F
<ul style="list-style-type: none"> - Additional FAGs amount was \$135,598, this was adjusted in the quarterly budget review. - \$200,000 received from My Community Projects for Walcha Bowling Club Green Replacement (Council was sponsor), included in the quarterly budget review. - R2R funding received was \$893,837 against budget of \$573,898 - an increase of \$319,939, included in the quarterly review. - \$1.2m received from Bushfires Recovery, allocated for Unsealed Roads (projects to be determined), included in quarterly review and unspent at June 2020. - Additional Library funding of \$42,804, of which \$17,556 related to Local Priority Grant Projects. - Swimming Pool funding included \$10,000 Drought Stimulus Funding plus \$9720 Community Donations - Drought Communities Funding \$27,227 for Community Projects, included in quarterly budget review. - Preschool DET funding was \$59,712 higher than budgeted, TARP grant of \$25,000 was received to fund bus hire and \$55,543 was received relating to Drought/Bushfire/COVID. - Tourism received \$38,380 to fund local events, included in budget review. - RFS funding received was \$20,064 higher than budget. 				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
- Water Fund received \$112,339 to fund water carting plan and emergency works from Short Term Emergency Drought Funding, included in quarterly budget review.				
Capital grants and contributions	8,795	2,403	(6,392)	(73)% U
Funding budgeted but not recieved:				
Stronger Country Community (SCCF) carry over works & funding -\$397,070:				
- Community Storage Facility \$35,909				
- Swimming Pool \$127,889				
- Community Gym project is behind the original schedule, budgeted funding of \$580,392 was not received				
Thunderbolts Way Corridor Strategy is behind schedule resulting in \$6,539,513 of budgeted funding not received				
\$80,396 funding for Niangala Road Bridge - project was completed under budget				
\$173,051 Fixing Country Roads - Brackendale Road project deferred to 2021, removed from budget in quarterly review.				
Funding recieved that was not in original budget:				
\$446,750 was received for Wollun Road bridge, carried over from 2019				
\$264,987 for Truck Wash Bay construction, carried over from 2019				
\$161,404 Water Fund - Short term emergency works milestone payment, added in quarterly budget review				
\$55,218 Sewer Fund - treatment plant upgrade, carried over from 2019				
Interest and investment revenue	173	118	(55)	(32)% U
Historically low interest rates on investments has resulted in investment earnings being much lower than budgeted				
Rental income	-	60	60	∞ F

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	4,696	6,245	(1,549)	(33)% U
<p>Leave costs were \$355,585 over budget due to extended sick leave, maternity leave and increasing leave provision. Superannuation & FBT were \$60,191 higher than budgeted however workers compensation insurance was \$84,333 under budget.</p> <p>Corporate wages are \$193k over budget.</p> <p>Additional state roads maintenance added \$252,485 to wages costs, not budgeted (RMS contract works). Sealed & unsealed roads maintenance was \$224,996 over budget, due in part to roads maintenance works incorrectly identified as capital in the budget (R2R funded work).</p> <p>Bushfires clean up has pushed wages costs up by \$550,063 over the original private works budget, this was adjusted in the quarterly review.</p>				
Borrowing costs	87	69	18	21% F
<p>Tips remediation costs were \$3724 below budget and Quarries remediation was \$13,443 less than forecast.</p>				
Materials and contracts	4,048	5,846	(1,798)	(44)% U
<p>Admin costs were \$158,093 over budget due to using HR contractor, GM Recruitment costs, unbudgeted WHS costs and works depot maintenance, adjustment was made in the quarterly review.</p> <p>Community Service costs – Preschool and WCCC - were \$99,329 over budget offset by increased grant funding.</p> <p>Economic Affairs - Bushfire Clean up costs were \$605,726 in total which is fully recoverable, tourism costs were \$93,784 resulting from a number of events held in Walcha during they year, partially covered by fees & funding. Adjustments were made in the quarterly budget review.</p> <p>Quarries - A disputed invoice for gravel processing in 2017-18 for \$260,853 was paid in the 2020 financial year; there had been no provision made for this.</p> <p>Recreation & Culture - Bowling Green replacement cost was \$200,000 which was fully funded. Other funded costs include \$31,440 for MPC upgrade and \$40,947 Drought Funded community projects. Additional swimming pool costs of \$25,526 were mostly offset by funding and donations. Adjustments were made in the quarterly budget review.</p> <p>Transport – Roads & bridges maintenance costs were \$148,423 higher than budget due mainly to sealed and unsealed roads maintenance incorrectly classified as capital works (R2R project) and therefore not included in the operating budget.</p> <p>Water fund costs were 94,045 higher than budget due to funded feasibility study and short term emergency drought projects, included in the quarterly budget review.</p>				
Depreciation and amortisation	3,361	3,728	(367)	(11)% U
<p>Assets revaluation has increased roads & bridges annual depreciation to \$2.2m which is \$292,998 higher than budget. Internal Plant depreciation is \$85,727 over budget due to the budget being too low.</p>				
Other expenses	1,409	1,460	(51)	(4)% U
Net losses from disposal of assets	(8)	93	(101)	1,263% U
<p>Budgeted profit on sale of plant and equipment was not realised. Loss of \$15,882 resulted in a budget variance of \$24,166. Assets written off included a timber bridge that was replaced with a concrete bridge, \$46,116, and the truck wash bay, \$30,972. A new facility is currently under construction.</p>				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
STATEMENT OF CASH FLOWS					
Cash flows from operating activities	13,293	6,652	(6,641)	(50)%	U
Capital works program was not achieved in 2020, as a result funding milestone payments were not received.					
Cash flows from investing activities	(11,635)	(4,454)	7,181	(62)%	F
\$1,996k for purchase of investment securities was not included in the budget. Capital works projects not completed in 2002 \$5,210					
Cash flows from financing activities	(142)	(143)	(1)	1%	U

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	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & equipment		–	–	4,066	4,066
Office equipment		–	–	28	28
Furniture & fittings		–	–	14	14
Operational land	30/06/18	–	–	2,520	2,520
Community land	30/06/19	–	–	2,162	2,162
Buildings specialised	30/06/18	–	–	7,542	7,542
Other structures	30/06/16	–	–	1,356	1,356
Roads	30/06/20	–	–	89,156	89,156
Bridges	30/06/19	–	–	36,122	36,122
Footpaths & other road assets	30/06/19	–	–	4,544	4,544
Bulk earth works	30/06/19	–	–	227,104	227,104
Stormwater	30/06/20	–	–	7,981	7,981
Water	30/06/17	–	–	16,422	16,422
Sewer	30/06/17	–	–	9,675	9,675
Heritage	30/06/16	–	–	180	180
Other assets	30/06/17	–	–	1,748	1,748
Tip	30/06/20	–	–	864	864
Quarry	30/06/16	–	–	545	545
Work in progress		–	–	2,504	2,504
Total infrastructure, property, plant and equipment		–	–	414,533	414,533

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & equipment		–	–	3,153	3,153
Office equipment		–	–	14	14
Furniture & fittings		–	–	18	18
Operational land	30/06/18	–	–	2,428	2,428
Community land	30/06/19	–	–	2,162	2,162
Buildings specialised	30/06/18	–	–	5,964	5,964
Other structures	30/06/16	–	–	1,420	1,420
Roads	30/06/19	–	–	92,632	92,632
Bridges	30/06/19	–	–	35,671	35,671
Footpaths & other road assets	30/06/19	–	–	4,374	4,374
Bulk earth works	30/06/19	–	–	227,104	227,104
Stormwater	30/06/15	–	–	9,225	9,225
Water	30/06/17	–	–	16,472	16,472
Sewer	30/06/17	–	–	9,658	9,658
Heritage	30/06/16	–	–	180	180
Other assets	30/06/17	–	–	1,673	1,673
Tip	30/06/18	–	–	1,044	1,044
Quarry	30/06/16	–	–	82	82
Work in progress		–	–	2,523	2,523
Total infrastructure, property, plant and equipment		–	–	415,797	415,797

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

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

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

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

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

Plant & Equipment, Office Equipment & Furniture & Fittings

These assets are valued at cost, but are disclosed at fair value in the notes; the carrying amount of these assets is assumed to be approximate Fair Value due to the nature of the assets. Examples of assets within these classes are as follows:

- Plant & equipment: Graders, Trucks, Rollers, Tractors and Motor Vehicles.
- Office Equipment: Computers, Photocopiers etc.
- Furniture & Fittings: Chairs, Desks etc.

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

Community Land

Community Land is based on the land value provided by the Valuer General.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Operational Land

Operational Land assets were valued by professionally qualified Registered Valuers - Scott Fullarton Valuations. Level 2 inputs were used to value land held in freehold title and those with special use, which are restricted under the zoning objectives. Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre. There are also parks, reserves and other special use parcels where there was no observable market evidence. This land was valued utilising Level 3 inputs, with the valuer using professional judgement to adjust the rate per square metre from the sales evidence available.

Buildings - Non Specialised

Specialised assets were valued utilising the cost approach by professionally qualified Registered Valuers - Scott Fullarton Valuations. The approach estimated the replacement cost of each building/other structure and componentising of significant parts of specific buildings with different useful lives and taking into account a range of factors. Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other inputs (such as estimates of useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued utilising Level 3 inputs.

Other Structures

Other Structures are assets that do not fit the definition of buildings. They include swimming pools, fencing and playgrounds. Other Structures have been revalued internally by Council's Engineering Department either using unit rate calculations where the asset is easily componentised, or by applying an index rate to the valuation provided by Scott Fullarton Valuations in December 2012. As these values were not considered to contain observable market evidence they have been classified as Level 3 and have been valued using the gross replacement cost method. Replacement cost has been formulated based upon the substantial analysis of construction costs from over 120 councils throughout NSW and based on the age of the assets as Council believes it is not materially different to condition assessment.

Roads

Council engaged Australis Asset Advisory Group, professionally qualified registered valuers, to review road unit rates. All unit rates are assessed by way of the Cost Approach, being Level 3 on the Fair Value Hierarchy. To determine a fair value for an asset a number of inputs are required, including Componentisation, Gross Replacement Cost and Useful Life.

Condition assessment has been completed in two phases, through intentional physical inspection taking photographic evidence of a portion of the network for valuation. Thereby a representative sample was chosen based on the Engineering Department's experience and knowledge of the road network. Additionally limitations exist in the sporadic nature of unsealed roads condition as such council has condition assessed these roads using an aged based approach.

Useful lives has been set using Council's knowledge of how the road network behaves with consideration given to the quality of inputs used including gravel and bitumen and the specific weather and traffic conditions that impact upon the Council area.

Bulk Earthworks

Bulk Earthworks consist of cuttings, fill and levelling of earth and rocks. The valuation was completed internally and based replacement cost on Rawlinsons Reference Rates. As there had been no earthwork construction since the previous revaluation in 2014, the 2019 revaluation indexed the data already available by the IPWEA indices to come up with a replacement cost.

Council has determined that bulk earthworks have infinite useful lives.

Footpaths & Other road Assets

Footpaths and other road assets includes footpaths, kerb & guttering, roundabouts and other minor road furniture assets. They have been valued internally by Council's Engineering Department. Given the small size of the network, all footpaths, kerb & guttering and other road assets were physically inspected and photographic evidence was obtained. This formed the basis of the condition assessment. Useful lives were determined with consideration to the previous revaluation and based on Council's knowledge of the behaviour of other concrete assets.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Bridges

Bridges have been valued internally by Council's Engineering Department and have been componentised into girder, corbel, deck, headstock, pile, abutment, kerb log and hand rail.

To ensure completeness of data the Authority Asset Management software was utilised as a starting point for conducting the revaluation. Council staff physically inspected all bridges to ensure the accuracy of data that was input into the Asset Management System. Condition was determined based on these inspections. Each bridge was given a condition rating in accordance with the methodology in the IPWEA (NSW) Bridge Guide, 2009. Replacement costs were based upon recently completed bridge projects in the Council area. Council determined timber bridges replacement cost based upon the cost to replace with their modern equivalent, judgementally determined to be either a concrete bridge or concrete culvert.

Useful lives for timber bridges were based on research by Peter J Yttrup (1996) contained in the IPWEA Bridge Guide. Condition ratings for concrete bridges were set based upon Council's own knowledge and experience of the bridge network and in conjunction with the Local Government Assets Accounting Manual.

Stormwater Drainage

Drainage assets comprise pits, culverts, open channels, headwalls and various types of quality devices used to collect store and remove stormwater. The cost approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. First principles estimating accompanied by actual Council costs were utilised in determining the current stormwater assets value. These values were deemed to be in line with the Rawlinson Reference Rates.

The Levee Bank represents a large portion of the total value of the asset class. This asset was revalued by Australis Asset Advisory Group, a professionally qualified valuer. The asset was assessed by way of the Cost Approach, being Level 3 on the Fair Value Hierarchy.

Water Network

Water assets (other than the Water Treatment Plant) were valued internally by Council's Engineering Department. Assets in this class include reservoirs, pumping stations and water pipelines. Condition assessment was undertaken in 2 distinct ways. For above ground assets a visual assessment in accordance with the Visual Assessment Manual published by New Zealand Water and Waste Association was conducted. For underground pipes, due to the inability to visually inspect them the assessment was based upon frequency of breakages and maintenance. This forms an inherent limitation on the data obtained. Replacement costs were calculated based on First Principles, previous costs and the Reference Rates Manual. Useful lives were set based on Reference Rates and comparison with other councils as detailed within the methodology documentation.

The Water Treatment Plant was valued by JRA using Level 3 inputs because there is no market for these infrastructure assets. There are no residual values for these assets for the same reason.

Sewer Network

Sewer assets (other than the Sewer Treatment Plant) were valued internally by Council's Engineering Department. Assets in this class include treatment works, pumping stations and sewer mains. Condition assessment was undertaken in 2 distinct ways. For above ground assets a visual assessment in accordance with the Visual Assessment Manual published by New Zealand Water and Waste Association was conducted. For underground pipes a representative sample was inspected using CCTV and the condition rating was applied across the sewer network and detailed in the methodology documentation. Replacement costs were calculated based on First Principles, previous costs and the Reference Rates Manual. Useful lives were set based on Reference Rates and comparison with other councils as detailed within the methodology documentation.

The Sewer Treatment Plant was valued by JRA using Level 3 inputs because there is no market for these infrastructure assets. There are no residual values for these assets for the same reason.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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

\$ '000	Plant and Equipment	Office equipment	Furniture and fittings	Operational Land	Community Land
2019					
Opening balance	2,704	1	22	2,571	1,368
Transfers from/(to) another asset class	–	–	–	(201)	201
Purchases (GBV)	1,043	14	–	58	–
Disposals (WDV)	(182)	–	–	–	–
Depreciation and impairment	(412)	(1)	(4)	–	–
Revaluation	–	–	–	–	593
Closing balance	3,153	14	18	2,428	2,162
2020					
Opening balance	3,153	14	18	2,428	2,162
Purchases (GBV)	1,719	19	–	92	–
Disposals (WDV)	(323)	–	–	–	–
Depreciation and impairment	(483)	(5)	(4)	–	–
Closing balance	4,066	28	14	2,520	2,162

\$ '000	Buildings specialised	Other structures	Roads	Bridges ²	Footpaths and other
2019					
Opening balance	6,655	1,217	131,656	44,492	3,906
Purchases (GBV)	79	254	1,687	161	151
Disposals (WDV)	(460)	–	–	–	–
Depreciation and impairment	(310)	(51)	(1,501)	(185)	(61)
Revaluation	–	–	(39,210)	(8,797)	378
Closing balance	5,964	1,420	92,632	35,671	4,374
2020					
Opening balance	5,964	1,420	92,632	35,671	4,374
Purchases (GBV)	1,912	–	1,671	1,172	233
Disposals (WDV)	–	(10)	–	(46)	–
Depreciation and impairment	(334)	(54)	(1,386)	(675)	–
Revaluation	–	–	(3,761)	–	(63)
Closing balance	7,542	1,356	89,156	36,122	4,544

(2) 2018 opening and closing balances have been restated

\$ '000	Bulk earthworks	Stormwater	Water	Sewer	Heritage
2019					
Opening balance	210,916	9,286	16,417	8,225	87
Purchases (GBV)	–	–	113	1,427	94
Depreciation and impairment	–	(61)	(316)	(124)	(1)
Revaluation	16,188	–	258	130	–
Closing balance	227,104	9,225	16,472	9,658	180

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

\$ '000	Bulk earthworks	Stormwater	Water	Sewer	Heritage
2020					
Opening balance	227,104	9,225	16,472	9,658	180
Purchases (GBV)	–	–	112	56	2
Depreciation and impairment	–	(61)	(315)	(129)	(2)
Revaluation	–	(1,183)	153	90	–
Closing balance	227,104	7,981	16,422	9,675	180

\$ '000	Other	WIP	Tip	Quarry	Total
2019					
Opening balance	1,658	1,707	1,103	89	444,080
Transfers from/(to) another asset class	–	(1,522)	–	–	(1,522)
Purchases (GBV)	107	2,338	–	–	7,526
Disposals (WDV)	–	–	–	–	(642)
Depreciation and impairment	(92)	–	(59)	(7)	(3,185)
Revaluation	–	–	–	–	(30,460)
Closing balance	1,673	2,523	1,044	82	415,797

2020					
Opening balance	1,673	2,523	1,044	82	415,797
Transfers from/(to) another asset class	–	(1,983)	–	–	(1,983)
Purchases (GBV)	171	1,964	–	–	9,123
Disposals (WDV)	(2)	–	–	–	(381)
Depreciation and impairment	(94)	–	(59)	(7)	(3,608)
Revaluation	–	–	(121)	470	(4,415)
Closing balance	1,748	2,504	864	545	414,533

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

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant and equipment	4,066	Cost approach	- Current replacement cost of modern equivalent asset - Remaining useful life - Residual value
Office equipment	28	Cost approach	- Current replacement cost of modern equivalent asset - Remaining useful life
Furniture and fittings	14	Cost approach	- Current replacement cost of modern equivalent asset - Remaining useful life
Operational Land	2,520	Market approach	- Similar local property prices - Alternative use
Community Land	2,162	Land values from NSW Valuer-General	- Unimproved capital value based on land value and land area

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Buildings specialised	7,542	Cost approach - (depreciated replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Other structures	1,356	Cost approach - (depreciated replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Roads	89,156	Unit rates per square metre	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Bridges	36,122	Cost approach - (depreciated replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Footpaths & other road assets	4,544	Cost approach - (depreciated replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Bulk earthworks	227,104	Unit rates per square metre	- Current replacement cost of modern equivalent asset
Stormwater	7,981	Unit rates per square metre	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Water	16,422	Cost approach - (replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Sewer	9,675	Cost approach - (replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Heritage	180	Cost approach	- Current replacement cost of modern equivalent asset - Remaining useful life
Other	1,748	Cost approach	- Current replacement cost of modern equivalent asset - Remaining useful life
Tips	864	Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes
Quarry	545	Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	671	603
Post-employment benefits	94	76
Termination benefits	163	–
Total	928	679

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures (continued)

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2020						
Rent for office space	1	11	–	7 days	–	–
Landscaping works	2	29	–	7 days	–	–
Employee expenses relating to close family members	3	101	–	7 days	–	–
2019						
Rent for office space	1	12	–	7 days	–	–
Landscaping works	2	57	–	7 days	–	–
Employee expenses relating to close family members	3	235	–	7 days	–	–

1 Council pays rent to a local real estate agent for office space. The principal is a related party to a KMP. The office is owned by an interstate company.

2 Council contracts to a local company for treelopping and other services. The company has a KMP as a director. All transactions are at arms length and major jobs are quoted on.

3 Close family members are employed by Council under the Local Government Award. All were employed on an arms length basis. There are two close family members currently employed by Council, one of which is included in Key Management Personnel.

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						
Roads	21	–	–	–	–	–	21	–
S7.11 contributions – under a plan	21	–	–	–	–	–	21	–
Total S7.11 and S7.12 revenue under plans	21	–	–	–	–	–	21	–
Total contributions	21	–	–	–	–	–	21	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 1

Roads	21	–	–	–	–	–	21	–
Total	21	–	–	–	–	–	21	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	4,287	315	322
User charges and fees	3,570	364	128
Interest and investment revenue	103	6	9
Other revenues	1,433	1	3
Grants and contributions provided for operating purposes	6,792	168	21
Grants and contributions provided for capital purposes	2,187	161	55
Rental income	60	–	–
Total income from continuing operations	18,432	1,015	538
Expenses from continuing operations			
Employee benefits and on-costs	5,810	263	172
Borrowing costs	65	4	–
Materials and contracts	5,357	336	153
Depreciation and amortisation	3,275	319	134
Other expenses	1,291	138	31
Net losses from the disposal of assets	93	–	–
Total expenses from continuing operations	15,891	1,060	490
Operating result from continuing operations	2,541	(45)	48
Net operating result for the year	2,541	(45)	48
Net operating result attributable to each council fund	2,541	(45)	48
Net operating result for the year before grants and contributions provided for capital purposes	354	(206)	(7)

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	4,285	310	630
Investments	2,326	–	–
Receivables	1,160	47	34
Inventories	652	–	–
Contract assets	3,058	–	–
Total current assets	11,481	357	664
Non-current assets			
Infrastructure, property, plant and equipment	387,259	17,131	10,143
Right of use assets	80	–	–
Total non-current assets	387,339	17,131	10,143
TOTAL ASSETS	398,820	17,488	10,807
LIABILITIES			
Current liabilities			
Payables	1,637	–	–
Income received in advance	(12)	12	–
Contract liabilities	1,209	–	–
Lease liabilities	59	–	–
Borrowings	75	9	–
Provisions	2,276	–	–
Total current liabilities	5,244	21	–
Non-current liabilities			
Payables	59	–	–
Lease liabilities	14	–	–
Borrowings	159	66	–
Provisions	2,544	–	–
Total non-current liabilities	2,776	66	–
TOTAL LIABILITIES	8,020	87	–
Net assets	390,800	17,401	10,807
EQUITY			
Accumulated surplus	151,409	6,035	3,416
Revaluation reserves	239,391	11,366	7,391
Council equity interest	390,800	17,401	10,807
Total equity	390,800	17,401	10,807

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund (continued)

Details of individual internal loans for the year ended 30 June 2020

Details of individual internal loans	Internal Loan 1
Borrower (by purpose)	Water Fund
Lender (by purpose)	General Fund
Date Raised	1/10/2016
Term (years)	10
Date of maturity	30/06/2027
Rate of interest	5%
Amount originally raised	\$100,000
Total repaid during the year (principal and interest)	\$12,770
Principal outstanding at 30 June 2020	\$75,034

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	2019	Prior periods 2018	2017	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	234	1.33%	(4.41)%	7.45%	16.66%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	17,582					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	10,601	53.04%	52.77%	59.12%	50.32%	>60.00%
Total continuing operating revenue	19,985					
3. Unrestricted current ratio						
Current assets less all external restrictions	8,428					
Current liabilities less specific purpose liabilities	1,186	7.11x	3.96x	6.48x	6.36x	>1.50x
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4,031	19.01x	17.97x	24.74x	38.27x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	212					
5. Rates, annual charges, interest and extra charges outstanding percentage						
Rates, annual and extra charges outstanding	194	3.80%	3.54%	3.43%	3.35%	<10.00%
Rates, annual and extra charges collectible	5,109					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	7,551	6.00	7.25	9.65	10.60	>3.00
Monthly payments from cash flow of operating and financing activities	1,258	mths	mths	mths	mths	mths

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2.75%	(3.46)%	(24.12)%	(23.95)%	(1.45)%	1.94%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	51.29%	50.52%	67.59%	85.98%	85.87%	64.39%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	7.11x	3.96x	17.00x	30.25x	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	18.21x	16.64x	29.25x	29.75x	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.34%	4.04%	0.00%	0.00%	0.00%	0.00%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	5.25	6.40	∞	∞	∞	∞	>3.00
Payments from cash flow of operating and financing activities	mths	mths					mths

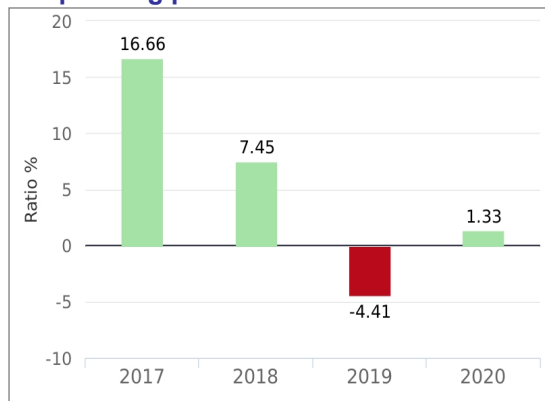
(1) - (2) Refer to Notes at Note 31a above.

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

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 1.33%

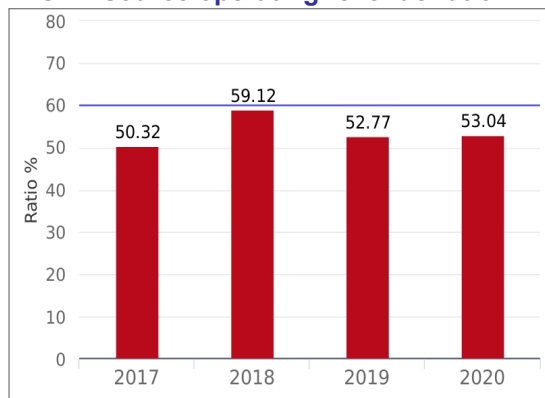
Council has achieved the benchmark this year. Which is an improvement on the 2019 result.

Benchmark: — > 0.00%

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

Ratio achieves benchmark (Green bar)
Ratio is outside benchmark (Red bar)

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 53.04%

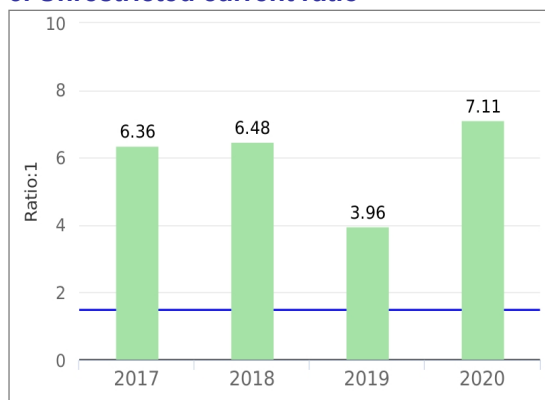
Council's own source revenue continues to be below the benchmark. This is a result of additional funding received from Bushfire Recovery Funding, Roads to Recovery, Stronger Country Communities, Thunderbolts Way Corridor Strategy and other capital and operating funding.

Benchmark: — > 60.00%

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

Ratio achieves benchmark (Green bar)
Ratio is outside benchmark (Red bar)

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 7.11x

The ratio is well above the benchmark and indicates that Council has sufficient working funds to cover its delivery program.

Benchmark: — > 1.50x

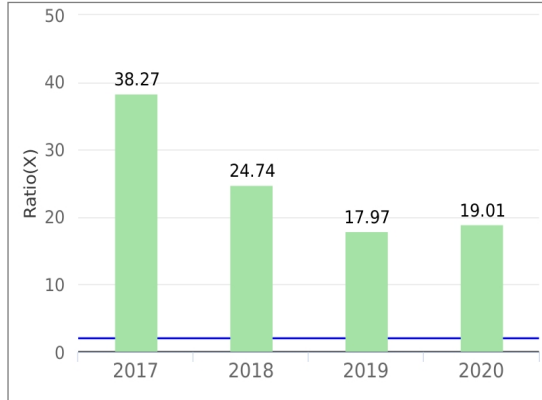
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (Green bar)
Ratio is outside benchmark (Red bar)

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 19.01x

This ratio is above the benchmark, indicating that Council is well placed to take on new borrowings to fund infrastructure renewals if necessary.

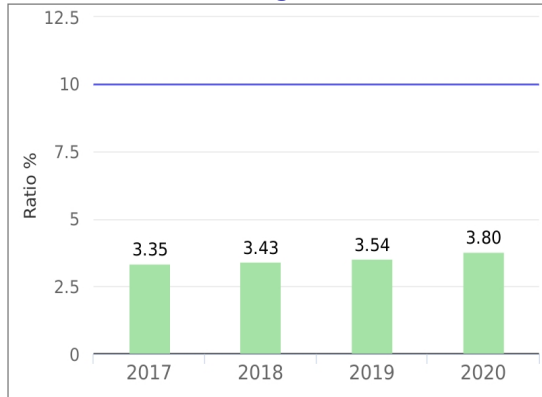
Benchmark: — > 2.00x

■ 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 3.80%

The result is will within the benchmark for rural councils and confirms that Council's debt collection processes are proving effective.

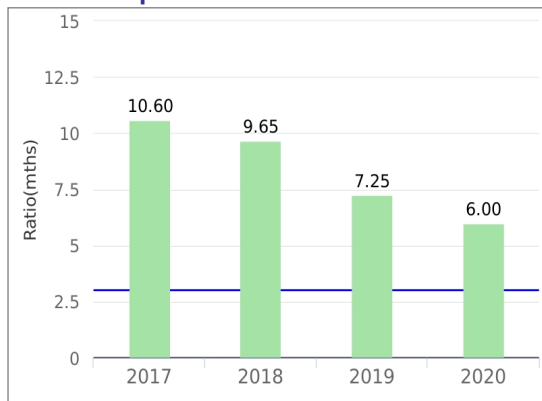
Benchmark: — < 10.00%

■ 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 6.00 mths

This ratio is showing a steady decline but is still well above the benchmark of 3 months.

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

Note 27. Council information and contact details

Principal place of business:

2W Hamilton Street
Walcha NSW 2354

Contact details

Mailing Address:

PO Box 2
Walcha NSW 2354

Opening hours:

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

Telephone: 02 6774 2500

Facsimile: 02 6777 1181

Internet: www.walcha.nsw.gov.au

Email: council@walcha.nsw.gov.au

Officers

General Manager

Anne Moddero

Responsible Accounting Officer

Rosemary Strobel

Auditors

Audit Office NSW
Level 19, Darling Park Tower 2
201 Sussex St
Sydney NSW 2000

Elected members

Mayor

Clr Eric Noakes

Councillors

Clr Peter Blomfield
Clr Kevin Ferrier
Clr Bill Heazlett
Clr Jennifer Kealey
Clr Scott Kermode
Clr Clint Lyon
Clr Rachael Wellings

Other information

ABN: 24 780 320 847

General Purpose Financial Statements
for the year ended 30 June 2020

General Purpose Financial Statements
for the year ended 30 June 2020

Walcha Council

DRAFT SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



Special Purpose Financial Statements

for the year ended 30 June 2020

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Background

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

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

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

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

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

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 28 October 2020.

Clr Eric Noakes
Mayor
28 October 2020

Clr Jennifer Kealy
Deputy Mayor
28 October 2020

Anne Modderno
General Manager
28 October 2020

Rosemary Strobel
Responsible Accounting Officer
28 October 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	315	282
User charges	350	406
Fees	14	34
Interest	6	12
Grants and contributions provided for non-capital purposes	168	120
Other income	1	2
Total income from continuing operations	854	856
Expenses from continuing operations		
Employee benefits and on-costs	263	241
Borrowing costs	4	4
Materials and contracts	336	366
Depreciation, amortisation and impairment	319	320
Other expenses	138	130
Total expenses from continuing operations	1,060	1,061
Surplus (deficit) from continuing operations before capital amounts	(206)	(205)
Grants and contributions provided for capital purposes	161	–
Surplus (deficit) from continuing operations after capital amounts	(45)	(205)
Surplus (deficit) from all operations before tax	(45)	(205)
SURPLUS (DEFICIT) AFTER TAX	(45)	(205)
Plus accumulated surplus	6,081	6,286
Closing accumulated surplus	6,036	6,081
Return on capital %	(1.2)%	(1.2)%
Subsidy from Council	353	426
Calculation of dividend payable:		
Surplus (deficit) after tax	(45)	(205)
Less: capital grants and contributions (excluding developer contributions)	(161)	–
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	322	319
Liquid trade waste charges	115	120
Fees	13	15
Interest	9	16
Grants and contributions provided for non-capital purposes	21	43
Other income	3	2
Total income from continuing operations	483	515
Expenses from continuing operations		
Employee benefits and on-costs	172	188
Materials and contracts	153	160
Depreciation, amortisation and impairment	134	128
Other expenses	31	29
Total expenses from continuing operations	490	505
Surplus (deficit) from continuing operations before capital amounts	(7)	10
Grants and contributions provided for capital purposes	55	218
Surplus (deficit) from continuing operations after capital amounts	48	228
Surplus (deficit) from all operations before tax	48	228
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(3)
SURPLUS (DEFICIT) AFTER TAX	48	225
Plus accumulated surplus	3,368	3,140
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	3
Closing accumulated surplus	3,416	3,368
Return on capital %	(0.1)%	0.1%
Subsidy from Council	96	122
Calculation of dividend payable:		
Surplus (deficit) after tax	48	225
Less: capital grants and contributions (excluding developer contributions)	(55)	(218)
Surplus for dividend calculation purposes	–	7
Potential dividend calculated from surplus	–	4

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	310	314
Receivables	47	49
Total current assets	357	363
Non-current assets		
Infrastructure, property, plant and equipment	17,131	17,017
Total non-current assets	17,131	17,017
TOTAL ASSETS	17,488	17,380
LIABILITIES		
Current liabilities		
Income received in advance	12	3
Borrowings	9	9
Total current liabilities	21	12
Non-current liabilities		
Borrowings	66	75
Total non-current liabilities	66	75
TOTAL LIABILITIES	87	87
NET ASSETS	17,401	17,293
EQUITY		
Accumulated surplus	6,035	6,081
Revaluation reserves	11,366	11,212
TOTAL EQUITY	17,401	17,293

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	630	609
Receivables	34	36
Total current assets	664	645
Non-current assets		
Infrastructure, property, plant and equipment	10,143	10,023
Total non-current assets	10,143	10,023
TOTAL ASSETS	10,807	10,668
<u>NET ASSETS</u>	<u>10,807</u>	<u>10,668</u>
EQUITY		
Accumulated surplus	3,416	3,368
Revaluation reserves	7,391	7,301
<u>TOTAL EQUITY</u>	<u>10,807</u>	<u>10,669</u>

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

Nil

Category 2

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

1. Walcha Council Combined Water Supplies

Comprising the operations and net assets of the water supply systems servicing the town of Walcha.

2. Walcha Council Sewerage Service

Comprising the operations and net assets of the sewer reticulation and treatment system servicing the town of Walcha.

Monetary amounts

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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.

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.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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

Special Purpose Financial Statements
for the year ended 30 June 2020

Walcha Council

DRAFT SPECIAL SCHEDULES

for the year ended 30 June 2020



Special Schedules

for the year ended 30 June 2020

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Special Schedules

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	3,485	3,400
Plus or minus adjustments ²	b	–	3
Notional general income	c = a + b	3,485	3,403
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	91	92
Sub-total	k = (c + g + h + i + j)	3,576	3,495
Plus (or minus) last year's carry forward total	l	16	6
Sub-total	n = (l + m)	16	6
Total permissible income	o = k + n	3,592	3,501
Less notional general income yield	p	3,598	3,485
Catch-up or (excess) result	q = o – p	(7)	16
Less unused catch-up ⁵	s	–	(7)
Carry forward to next year ⁶	t = q + r + s	(7)	9

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.

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
(a) Report on Infrastructure Assets - Values												
Buildings	Other	–	–	16	–	506	630	86.0%	8.0%	6.0%	0.0%	0.0%
	Council Offices / Administration Centres	–	–	64	83	954	2,008	0.0%	17.0%	83.0%	0.0%	0.0%
	Council Works Depot	37	37	54	42	994	1,724	10.0%	84.0%	0.0%	6.0%	0.0%
	Squash Courts	–	–	19	22	378	618	0.0%	100.0%	0.0%	0.0%	0.0%
	Amenities	–	–	49	70	969	1,359	15.0%	85.0%	0.0%	0.0%	0.0%
	Library	–	–	16	10	313	563	0.0%	100.0%	0.0%	0.0%	0.0%
	Child care	–	–	72	91	1,898	2,184	57.0%	43.0%	0.0%	0.0%	0.0%
	Specialised Buildings	8	8	8	–	236	356	18.0%	76.0%	6.0%	0.0%	0.0%
	Swimming Pool	–	–	17	2	296	538	0.0%	100.0%	0.0%	0.0%	0.0%
	Auto Electrician	–	–	15	11	167	473	0.0%	0.0%	100.0%	0.0%	0.0%
	Council House	–	–	25	14	585	770	0.0%	100.0%	0.0%	0.0%	0.0%
	Waste Management	–	–	8	–	246	298	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	45	45	363	345	7,542	11,521	21.9%	58.1%	19.1%	0.9%	0.0%
Other structures	Other structures	20	20	16	–	426	582	44.0%	41.0%	6.0%	9.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Swimming Pools	–	–	26	–	628	1,553	0.0%	14.0%	33.0%	13.0%	40.0%
	Waste Management	–	–	8	–	170	241	50.0%	0.0%	50.0%	0.0%	0.0%
	Council Works Depot	–	–	4	–	132	200	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	20	20	54	–	1,356	2,576	14.6%	17.7%	33.7%	9.9%	24.1%

Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Roads	Sealed roads – Surface	950	950	718	224	8,243	11,387	45.0%	42.0%	11.0%	2.0%	0.0%
	Unsealed roads	1,939	1,939	1,734	1,134	11,433	14,135	15.0%	21.0%	25.0%	38.0%	1.0%
	Sealed roads – Structure	6,920	6,920	525	546	69,341	84,063	28.0%	37.0%	12.0%	14.0%	9.0%
	Bridges	509	509	293	9	16,461	25,710	33.0%	19.0%	43.0%	5.0%	0.0%
	Culverts	5,505	5,505	394	–	19,661	39,415	1.2%	10.2%	60.2%	27.6%	0.8%
	Footpaths	15	15	21	34	1,698	2,078	48.0%	40.0%	9.0%	2.0%	1.0%
	Other road assets	–	–	4	130	139	231	27.0%	68.0%	5.0%	0.0%	0.0%
	Kerb & Gutter	119	119	44	9	2,846	4,360	14.0%	60.0%	19.0%	7.0%	0.0%
	Bulk earthworks	–	–	–	–	227,104	227,104	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	15,957	15,957	3,733	2,086	356,926	408,483	65.7%	12.6%	12.4%	7.3%	2.0%
Water supply network	Mains	–	–	141	68	7,762	8,997	10.0%	88.0%	2.0%	0.0%	0.0%
	Reservoirs	–	–	36	48	1,642	2,973	0.0%	47.0%	53.0%	0.0%	0.0%
	Pumping Stations	–	–	21	100	314	432	29.0%	31.0%	40.0%	0.0%	0.0%
	Treatment	810	810	144	281	5,913	8,946	38.0%	27.0%	32.0%	3.0%	0.0%
	Meters	–	–	7	–	98	118	29.0%	71.0%	0.0%	0.0%	0.0%
	Connections	–	–	12	–	693	939	0.0%	100.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	810	810	361	497	16,422	22,405	19.9%	57.5%	21.4%	1.2%	0.0%
Sewerage network	Mains	78	78	95	23	6,715	7,958	3.0%	87.0%	8.0%	2.0%	0.0%
	Pumping Stations	1	1	17	41	662	812	11.0%	83.0%	6.0%	0.0%	0.0%
	Treatment	372	372	35	143	2,298	3,594	36.0%	36.0%	26.0%	2.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	451	451	147	207	9,675	12,364	13.1%	71.9%	13.1%	1.9%	0.0%

Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Stormwater drainage	Stormwater drainage	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Stormwater conduits	–	–	62	72	3,969	6,179	0.0%	100.0%	0.0%	0.0%	0.0%
	Inlet & junction pits	–	–	3	–	164	257	0.0%	100.0%	0.0%	0.0%	0.0%
	Head walls	–	–	1	–	35	55	0.0%	100.0%	0.0%	0.0%	0.0%
	Outfall structures	–	–	–	–	9	15	0.0%	100.0%	0.0%	0.0%	0.0%
	Levees	–	–	38	–	3,804	3,804	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	104	72	7,981	10,310	36.9%	63.1%	0.0%	0.0%	0.0%
	TOTAL - ALL ASSETS	17,283	17,283	4,762	3,207	399,902	467,659	60.2%	18.6%	12.9%	6.6%	1.9%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts	Indicator	Prior periods			Benchmark
	2020	2020	2019	2018	2017	
Infrastructure asset performance indicators (consolidated) *						
Buildings and infrastructure renewals ratio ¹						
Asset renewals ²	2,207					
Depreciation, amortisation and impairment	3,017	73.15%	132.98%	103.52%	309.16%	>=100.00%
Infrastructure backlog ratio ¹						
Estimated cost to bring assets to a satisfactory standard	17,283	4.32%	4.67%	4.05%	7.29%	<2.00%
Net carrying amount of infrastructure assets	399,902					
Asset maintenance ratio						
Actual asset maintenance	3,207					
Required asset maintenance	4,762	67.35%	104.45%	112.72%	105.48%	>100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	17,283	3.70%	3.62%	2.80%	2.91%	
Gross replacement cost	467,659					

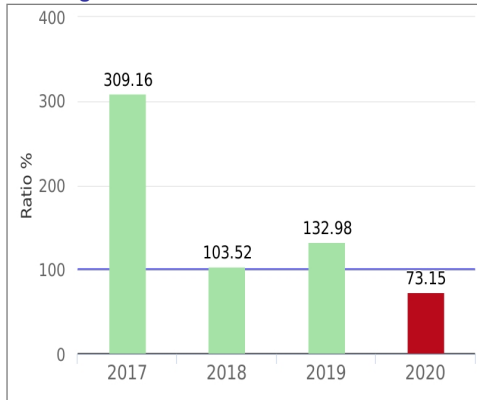
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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



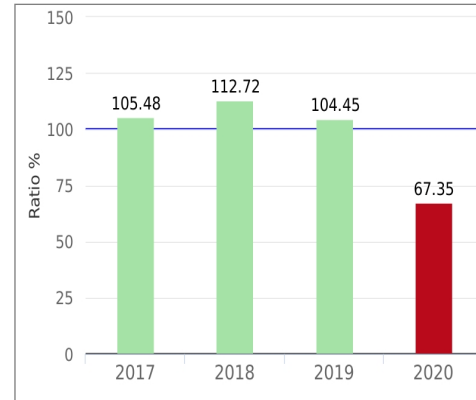
Buildings and infrastructure renewals ratio

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	73.15%
This ratio has slipped below the benchmark in 2020. Contributing factors include a large amount of work in progress in addition to hold up resulting from bushfire and storm clean up as well as COVID-19.	

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



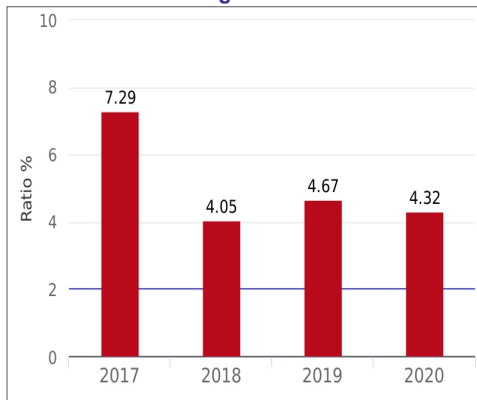
Asset maintenance ratio

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	67.35%
Asset maintenance ratio has slipped below the benchmark this year due to delays caused bushfire and storm clean up and COVID-19.	

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

Infrastructure backlog ratio



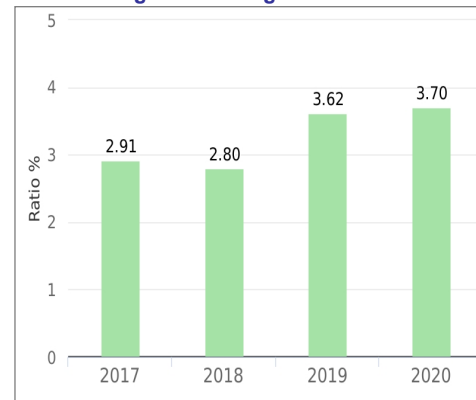
Infrastructure backlog ratio

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

Commentary on result	
19/20 ratio	4.32%
The backlog ratio is holding steady.	

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result	
19/20 ratio	3.70%
This ratio indicates that 3.7% of Council's infrastructure assets have reached an 'intervention point' and require renewal works. This ratio is holding steady.	

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	81.58%	105.11%	22.86%	35.76%	27.91%	868.55%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	4.29%	4.83%	4.93%	1.25%	4.66%	4.11%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	58.84%	94.82%	137.67%	148.36%	140.82%	179.53%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	3.70%	3.75%	3.62%	0.93%	3.65%	3.26%	

(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.