



EXTRAORDINARY MEETING OF COUNCIL

BUSINESS PAPER

10 November 2020

Extraordinary Meeting of Council

Kate Jessep
General Manager



Extraordinary Council Meeting

10 November 2020 at 12:30pm

Uralla Shire Council Chambers

- BUSINESS AGENDA -

1. Opening of Extraordinary Meeting
2. Prayer
3. Acknowledgement of Country
4. Apologies
5. Disclosures & Declarations of Interest
6. Purpose of Extraordinary Meeting



REQUEST FOR EXTRAORDINARY COUNCIL MEETING


s366 of the Local Government Act

REASON FOR EXTRAORDINARY MEETING FOR 10 NOVEMBER 2020 AT 12:30pm:

To present the Audited Financial Statements of Council for the financial year ended 30 June 2020 and to resolve to sign the two Statements by Councillors and Management.

REQUESTED BY:

Councillor Name	Councillor Signature	Dated
Michael Pearce		3/11/20

Councillor Name	Councillor Signature	Dated
Isabel Strutt		4/11/20

7. Close of Extraordinary Meeting

TABLE OF CONTENTS

6.	Report to Council	4
6.1.	Annual Financial Statements 2019/20	4
7.	Close of Extraordinary Meeting	113

6. Report to Council

6.1. Annual Financial Statements 2019/20



Department: Finance
Prepared by: Chief Financial Officer
TRIM Reference: UINT/20/09710
Attachments: Attachment 1 – Annual Financial Statements 2020 - Final

LINKAGE TO INTEGRATED PLANNING AND REPORTING FRAMEWORK

Goal:	4.2	An effective and efficient organisation
Strategy:	4.2.7	Ensure compliance with regulatory and statutory requirements and that operations are supported by effective corporate governance
Activity:	4.2.7.1	Improve the corporate governance framework
Action:	4.2.7.1.4	Complete and lodge annual Financial Statements in accordance with statutory requirements

SUMMARY:

The purpose of this report is to present the Audited Financial Statements of Council for the financial year ended 30 June 2020 and to resolve to sign the two Statements by Councillors and Management. The Financial Statements are to be presented to the Audit Risk and Improvement Committee on 6 November 2020. The Committee is likely to recommend that they be adopted by Council and signed as required.

RECOMMENDATION:

1. That Council adopt the Financial Statements for the year ended 30 June 2020 incorporating the General Purpose Financial Statements, Special Purpose Financial Statements and Special Schedules;
2. That Council approve the signing of the Statement by Councillors and Management included in the General Purpose Financial Statements as required under section 413 (2) (c) of the Local Government Act;
3. That Council approve the signing of the Statement by Councillors and Management included in the Special Purpose Financial Statements as required by the Local Government Code of Accounting Practice and Financial Reporting;
4. That Council exhibit the Financial Statements and Auditor's Report and call for public submissions on those documents with submissions closing on 1 December 2020 in accordance with section 420 of the Local Government Act 1993; and
5. That the Audited Financial Statements and Auditor's Report be presented to the public at the Ordinary Meeting of Council scheduled for 24 November 2020 in accordance with section 418(1) of the Local Government Act 1993.

BACKGROUND:

Section 413(1) of the Local Government Act, 1993, requires Council to prepare financial reports for each year, and refer them for audit as soon as practicable after the end of that year. The Council's financial reports must include a general purpose financial report, any other matter prescribed by the regulations, and a statement in the approved form by the council as to its opinion on the general purpose financial report.

Council has four months from the end of financial year to prepare and have financial reports audited in accordance with S416 (1) of the Local Government Act. This year, due to COVID-19, a special extension has been provided to 30 November 2020.

REPORT:

The Auditor's Reports required under section 417 of the Local Government Act 1993 will be included in the attached Financial Reports once the abovementioned Statements have been signed.

The Audited Financial Statements, including the Auditor's Reports and Special Schedules, will then be sent to the Office of Local Government and the Australian Bureau of Statistics.

COUNCIL IMPLICATIONS:

1. Community Engagement/ Communication (per engagement strategy)

The audited Financial Statements and Auditor's Report are to be presented to the public at the Ordinary Meeting of Council scheduled for 24 November 2020 and must be available for inspection by the public for a period of not less than seven days prior to the meeting.

2. Policy and Regulation

- Local Government Act 1993;
- Local Government Regulations (General) 2005;
- Local Government Code of Accounting Practice and Financial Reporting; and
- Australian Accounting Standards.

3. Financial (LTFP)

The Financial Statements report on the financial position and performance for the prior financial year.

4. Asset Management (AMS)

N/A

5. Workforce (WMS)

N/A

6. Legal and Risk Management

Completion of the audited Financial Statements in accordance with the Act and Regulations is an important annual process to help manage Council's financial risk.

7. Performance Measures

The audited, signed, endorsed and exhibited (seven days public exhibition) Financial Statements are to be presented to the public no later than 30 November 2020.

8. Project Management

N/A

Uralla Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020



Uralla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	82
On the Financial Statements (Sect 417 [3])	83

Overview

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

32 Salisbury Street
Uralla NSW 2358

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.uralla.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 10 November 2020.

Michael Pearce
Mayor
10 November 2020

Isabel Strutt
Councillor
10 November 2020

Kate Jessep
General Manager
10 November 2020

Simon Paul
Responsible Accounting Officer
10 November 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
6,504	Rates and annual charges	3a	6,644	6,516
4,830	User charges and fees	3b	5,075	5,058
477	Other revenues	3c	575	612
7,522	Grants and contributions provided for operating purposes	3d,3e	8,089	7,659
5,086	Grants and contributions provided for capital purposes	3d,3e	2,988	1,531
256	Interest and investment income	4	352	408
24,675	Total income from continuing operations		23,723	21,784
Expenses from continuing operations				
10,250	Employee benefits and on-costs	5a	9,707	9,519
156	Borrowing costs	5b	149	179
3,871	Materials and contracts	5c	5,142	4,619
4,345	Depreciation and amortisation	5d	4,750	4,523
1,983	Other expenses	5e	1,484	1,589
–	Net losses from the disposal of assets	6	955	1,531
20,605	Total expenses from continuing operations		22,187	21,960
4,070	Operating result from continuing operations		1,536	(176)
4,070	Net operating result for the year		1,536	(176)
4,070	Net operating result attributable to council		1,536	(176)
(1,016)	Net operating result for the year before grants and contributions provided for capital purposes		(1,452)	(1,707)

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)		1,536	(176)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	1,164	341
Total items which will not be reclassified subsequently to the operating result		1,164	341
Total other comprehensive income for the year		1,164	341
Total comprehensive income for the year		2,700	165
 Total comprehensive income attributable to Council		 2,700	 165

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	1,401	1,604
Investments	7(b)	13,957	14,900
Receivables	8	2,929	2,136
Inventories	9a	231	229
Contract assets	11a	305	—
Other	9b	36	59
Total current assets		18,859	18,928
Non-current assets			
Infrastructure, property, plant and equipment	10	233,683	230,827
Right of use assets	12a	78	—
Total non-current assets		233,761	230,827
Total assets		252,620	249,755
LIABILITIES			
Current liabilities			
Payables	13	5,357	5,189
Contract liabilities	11b	44	—
Lease liabilities	12b	15	—
Borrowings	13	265	233
Provisions	14	2,199	2,371
Total current liabilities		7,880	7,793
Non-current liabilities			
Lease liabilities	12b	63	—
Borrowings	13	1,924	2,194
Provisions	14	2,821	2,536
Total non-current liabilities		4,808	4,730
Total liabilities		12,688	12,523
Net assets		239,932	237,232
EQUITY			
Accumulated surplus	15	74,321	72,785
Revaluation reserves	15	165,611	164,447
Council equity interest		239,932	237,232
Total equity		239,932	237,232

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		72,785	164,447	237,232	72,961	164,106	237,067
Changes due to AASB 1058 and AASB 15 adoption	15	–	–	–	–	–	–
Changes due to AASB 16 adoption	15	–	–	–	–	–	–
Net operating result for the year		1,536	–	1,536	(176)	–	(176)
Restated net operating result for the period		1,536	–	1,536	(176)	–	(176)
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	1,164	1,164	–	341	341
Other comprehensive income		–	1,164	1,164	–	341	341
Total comprehensive income		1,536	1,164	2,700	(176)	341	165
Equity – balance at end of the reporting period		74,321	165,611	239,932	72,785	164,447	237,232

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
6,500	Rates and annual charges		6,463	6,364
4,801	User charges and fees		5,036	5,384
283	Investment and interest revenue received		428	374
12,583	Grants and contributions		10,511	9,259
274	Other		1,415	981
Payments:				
(10,211)	Employee benefits and on-costs		(9,743)	(9,575)
(3,834)	Materials and contracts		(6,206)	(5,356)
(157)	Borrowing costs		(122)	(134)
–	Bonds, deposits and retention amounts refunded		(1)	–
(1,983)	Other		(1,128)	(1,071)
	Net cash provided (or used in) operating activities	16b	6,653	6,226
8,256				
Cash flows from investing activities				
Receipts:				
3,150	Sale of investment securities		16,150	17,650
–	Sale of infrastructure, property, plant and equipment		224	208
Payments:				
–	Purchase of investment securities		(15,207)	(19,000)
(13,039)	Purchase of infrastructure, property, plant and equipment		(7,889)	(5,027)
(9,889)	Net cash provided (or used in) investing activities		(6,722)	(6,169)
Cash flows from financing activities				
Receipts:				
–	Proceeds from retirement home contributions		1,120	1,190
Payments:				
(225)	Repayment of borrowings and advances		(238)	(217)
–	Lease liabilities (principal repayments)		(16)	–
–	Repayment of retirement home contributions		(1,000)	(869)
(225)	Net cash flow provided (used in) financing activities		(134)	104
(1,858)	Net increase/(decrease) in cash and cash equivalents		(203)	161
6,696	Plus: cash and cash equivalents – beginning of year	16a	1,604	1,443
4,838	Cash and cash equivalents – end of the year	16a	1,401	1,604
4,433	plus: Investments on hand – end of year	7(b)	13,957	14,900
9,271	Total cash, cash equivalents and investments		15,358	16,504

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

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Revenue from continuing operations	16
4	Interest and investment income	23
5	Expenses from continuing operations	24
6	Gain or loss from disposal of assets	28
7(a)	Cash and cash equivalents	28
7(b)	Investments	29
7(c)	Restricted cash, cash equivalents and investments	30
8	Receivables	31
9	Inventories and other assets	33
10	Infrastructure, property, plant and equipment	34
11	Contract assets and liabilities	37
12	Leases	38
13	Payables and borrowings	41
14	Provisions	43
15	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	46
16	Statement of cash flow information	52
17	Interests in other entities	52
18	Commitments	54
19	Contingencies	55
20	Financial risk management	58
21	Material budget variations	62
22	Fair Value Measurement	64
23	Related party disclosures	72
24	Statement of developer contributions	73
25	Result by fund	75
26(a)	Statement of performance measures – consolidated results	77
26(b)	Statement of performance measures – by fund	78
Additional Council disclosures (unaudited)		
26(c)	Statement of performance measures – consolidated results (graphs)	79
27	Council information and contact details	81

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 10 November 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (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.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

- McMaugh Gardens Aged Care Centre

(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.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council uses volunteers in a number of its activities including at the Visitor Information Centre, McMaugh Gardens and Tablelands Community Transport. These services are not considered material and have therefore not been recognised in the income statement.

COVID-19

Council has been impacted by the Covid-19 pandemic but not as severely as other organisations. Once the initial lockdown commenced, council started recording all specific costs associated with the impact of the virus on operations. The costs incurred in the 2019/20 financial year totalled just under \$32,000 with very little impact on staffing or special leave requirements. It is expected that a similar amount will be incurred in the 2020/21 year, assuming no significant lockdowns are experienced. Council was not able to access any government funding relating to this issue.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

AASB 1059 Service Concession Arrangements: Grantors

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

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

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

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

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

New accounting standards adopted during the year

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Our Society	7,930	7,889	7,689	7,603	241	286	1,411	810	15,338	14,327
Our Economy	4,752	3,770	7,537	7,843	(2,785)	(4,073)	3,068	2,532	193,524	193,655
Our Environment	4,771	4,136	5,033	4,256	(262)	(120)	890	245	35,519	33,926
Our Leadership	6,270	5,989	1,928	2,258	4,342	3,731	1,863	1,684	8,239	7,847
Total functions and activities	23,723	21,784	22,187	21,960	1,536	(176)	7,232	5,271	252,620	249,755

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:

Our Society

Includes public libraries; sporting grounds and venues; swimming pools; parks; gardens; other sporting, recreational and cultural services; public cemeteries; public conveniences; other community amenities, aged person facilities, services for disabled persons, migrants and Indigenous persons; youth services. Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

Our Economy

Includes community centres and halls, including public halls and performing arts venues; building control; quarries and pits; urban local, urban regional, sealed and unsealed roads, bridges, footpaths and parking areas; street cleaning; tourism and area promotion; industrial development promotion; real estate development; street lighting and town planning;

Our Environment

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

Our Leadership

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (e.g. GIPA), and legislative compliance. Also includes all administrative costs such as finance, human resources, information technology, governance and customer support. Also includes camping areas and caravan parks.

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)	1,690	1,647
Farmland	1058 (1)	2,112	2,071
Business	1058 (1)	107	104
Less: pensioner rebates (mandatory)	1058 (1)	(103)	(103)
Rates levied to ratepayers		3,806	3,719
Pensioner rate subsidies received		61	54
Total ordinary rates		3,867	3,773
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	630	615
Stormwater management services	1058 (1)	30	30
Water supply services	1058 (1)	511	447
Sewerage services	1058 (1)	677	755
Waste management services (non-domestic)	1058 (1)	45	41
Environmental	1058 (1)	927	900
Less: pensioner rebates (mandatory)	1058 (1)	(93)	(97)
Annual charges levied		2,727	2,691
Pensioner subsidies received:			
– Water	1058 (1)	17	17
– Sewerage	1058 (1)	13	15
– Domestic waste management	1058 (1)	20	20
Total annual charges		2,777	2,743
TOTAL RATES AND ANNUAL CHARGES		6,644	6,516

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

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

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

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

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

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

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (1)	559	584
Sewerage services	15 (1)	4	5
Waste management services (non-domestic)	15 (1)	192	162
Total specific user charges		755	751
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	15 (1)	61	35
Private works – section 67	15 (1)	103	34
Registration fees	15 (1)	–	7
Section 10.7 certificates (EP&A Act)	15 (1)	14	17
Section 603 certificates	15 (1)	10	10
Town planning	15 (1)	89	76
Total fees and charges – statutory/regulatory		277	179
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aged care	15 (2)	965	924
Caravan park	15 (1)	81	80
Cemeteries	15 (1)	25	34
Community centres	15 (1)	4	15
Sundry sales	15 (1)	50	65
Swimming centres	15 (1)	23	20
Waste disposal tipping fees	15 (1)	76	97
Water and sewer connection fees	15 (1)	7	6
Scrap metal sales	15 (1)	73	73
Tablelands community support options – client contributions	15 (1)	157	173
Tablelands community support options – contract service fees	15 (2)	2,539	2,594
Tablelands community transport	15 (1)	40	45
Other	15 (1)	3	2
Total fees and charges – other		4,043	4,128
TOTAL USER CHARGES AND FEES		5,075	5,058

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

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

Accounting policy for user charges and fees

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

2019 accounting policy

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

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties (2019 only)	15 (1)	130	130
Fines	15 (1)	5	4
Legal fees recovery – rates and charges (extra charges)	1058 (1)	15	10
Commissions and agency fees	15 (1)	9	5
Diesel rebate	15 (1)	84	88
Insurance claims recoveries	15 (1)	195	196
Recycling income (non-domestic)	15 (1)	50	34
Sales – general	15 (1)	32	53
Donations received	1058 (1)	4	7
Other reimbursements	15 (1)	5	17
Other sundry income	15 (1)	29	44
Staff FBT contributions	15 (1)	17	24
<u>TOTAL OTHER REVENUE</u>		<u>575</u>	<u>612</u>

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	331	337	–	–
Financial assistance – local roads component	1058 (1)	973	945	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	1,382	1,329	–	–
Total general purpose		2,686	2,611	–	–
Specific purpose					
Water supplies	1058 (1)	524	–	220	–
Sewerage services	1058 (1)	–	–	138	208
Aged care	1058 (1)	–	–	130	370
Community care	15 (1)	2	5	–	–
Economic development	15 (1)	103	–	–	–
Drought Communities Assistance Program	1058 (2)	–	666	–	–
Employment and training programs	15 (1)	2	18	–	–
Environmental programs	1058 (1)	8	37	–	–
Library	1058 (1)	82	35	–	–
Heritage and cultural	1058 (1)	–	15	–	–
Recreation and culture	1058 (2)	–	–	–	–
Transport (roads to recovery)	1058 (1)	894	408	–	–
Street lighting	1058 (1)	14	14	–	–
Animal control	1058 (1)	4	–	–	–
Stronger Country Communities Fund	1058 (2)	69	–	1,193	400
Innovation Fund	1058 (2)	75	–	–	–
Transport (other roads and bridges funding)	1058 (1)	9	41	1,080	443
Total specific purpose		1,786	1,239	2,761	1,421
Total grants		4,472	3,850	2,761	1,421
Grant revenue is attributable to:					
– Commonwealth funding		3,580	3,019	1,323	1,213
– State funding		892	831	1,438	208
		4,472	3,850	2,761	1,421

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	47	22	–	–
Total developer contributions – cash			47	22	–	–
Total developer contributions	24		47	22	–	–
Other contributions:						
Cash contributions						
Community services		1058 (1)	–	2	–	–
RMS contributions (regional roads, block grant)		1058 (2)	1,038	1,017	227	110
McMaugh gardens aged care – subsidies		15 (2)	2,040	2,217	–	–
Tablelands community transport – subsidies		15 (2)	492	551	–	–
Total other contributions – cash			3,570	3,787	227	110
Total other contributions			3,570	3,787	227	110
Total contributions			3,617	3,809	227	110
TOTAL GRANTS AND CONTRIBUTIONS			8,089	7,659	2,988	1,531

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

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

Accounting policy for grants and contributions**Accounting policy from 1 July 2019****Grant income under AASB 15**

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

The performance obligations are varied based on the agreement but include achieving milestones associated with constructing an asset or delivering specific outcomes established in an agreement. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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	439	1,514
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	13
Add: operating grants received for the provision of goods and services in a future period	100	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(1,088)
Less: operating grants received in a previous reporting period now spent and recognised as income	(13)	–
Unexpended and held as externally restricted assets (operating grants)	526	439
Capital grants		
Unexpended at the close of the previous reporting period	939	130
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	809
Less: capital grants received in a previous reporting period now spent and recognised as income	(827)	–
Unexpended and held as externally restricted assets (capital grants)	112	939
Contributions		
Unexpended at the close of the previous reporting period	654	616
Add: contributions recognised as income in the current period but not yet spent	61	38
Unexpended and held as externally restricted assets (contributions)	715	654

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	53	33
– Cash and investments	299	375
Total Interest and investment income	352	408
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	33	18
General Council cash and investments	189	252
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	13	16
Water fund operations	62	62
Sewerage fund operations	55	60
Total interest and investment revenue	352	408

Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	7,969	7,601
Travel expenses	27	28
Employee leave entitlements (ELE)	1,381	1,412
Superannuation – defined contribution plans	838	853
Superannuation – defined benefit plans	46	63
Workers' compensation insurance	468	361
Fringe benefit tax (FBT)	11	15
Training costs (other than salaries and wages)	35	84
Other	46	8
Total employee costs	10,821	10,425
Less: capitalised costs	(1,114)	(906)
TOTAL EMPLOYEE COSTS EXPENSED	9,707	9,519
Number of 'full-time equivalent' employees (FTE) at year end	127	126
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	131	130

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 18 for more information.

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		4	–
Interest on loans		118	132
Total interest bearing liability costs		122	132
Total interest bearing liability costs expensed		122	132
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	14	27	47
Total other borrowing costs		27	47
TOTAL BORROWING COSTS EXPENSED		149	179

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

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	6,665	6,104
Contractor and consultancy costs	4,939	2,811
Auditors remuneration ²	80	76
Legal expenses:		
Expenses from short-term leases (2020 only)	11	–
– Legal expenses: debt recovery	16	10
– Legal expenses: other	13	25
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	12
Other	16	–
Total materials and contracts	11,740	9,038
Less: capitalised costs	(6,598)	(4,419)
TOTAL MATERIALS AND CONTRACTS	5,142	4,619

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Buildings	11	12
	11	12

2. Auditor remuneration

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

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

Audit and review of financial statements	49	45
Remuneration for audit and other assurance services	49	45
Total Auditor-General remuneration	49	45

Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

Other audit and assurance services	31	31
Remuneration for audit and other assurance services	31	31
Total remuneration of non NSW Auditor-General audit firms	31	31
Total Auditor remuneration	80	76

continued on next page ...

Page 25 of 83

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		535	545
Office equipment		55	79
Furniture and fittings		58	55
Infrastructure:	10		
– Buildings – non-specialised		571	554
– Other structures		78	51
– Sealed roads structure		1,633	1,500
– Unsealed roads		602	544
– Bridges		327	317
– Footpaths		49	46
– Stormwater drainage		23	23
– Water supply network		424	439
– Sewerage network		212	216
– Swimming pools		25	14
– Other open space/recreational assets		43	25
Right of use assets	12	16	–
Other assets:			
– Other		3	3
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	10,14	96	112
Total gross depreciation and amortisation costs		4,750	4,523
Total depreciation and amortisation costs		4,750	4,523
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		4,750	4,523

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 and note 12 for right of use assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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

\$ '000	2020	2019
(e) Other expenses		
Advertising	6	9
Travel expenses	2	–
Bad and doubtful debts	(6)	3
Bank charges	28	29
Computer software charges	23	–
Councillor expenses – mayoral fee	21	20
Councillor expenses – councillors' fees	102	96
Councillors' expenses (incl. mayor) – other (excluding fees above)	15	14
Donations, contributions and assistance to other organisations (Section 356)	400	392
Electricity and heating	183	214
Insurance	268	317
Internet and other communication	14	25
Licences	97	54
Motor vehicle registration fees	54	44
Office expenses (including computer expenses)	7	–
Other fees and charges	4	16
Postage	30	37
Printing and stationery	39	47
Street lighting	46	62
Subscriptions and publications	52	118
Sundry expenses	2	14
Telephone and communications	82	75
Volunteer reimbursements	1	–
Other	14	3
<u>TOTAL OTHER EXPENSES</u>	<u>1,484</u>	<u>1,589</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		(318)	–
Net gain/(loss) on disposal		(318)	–
Plant and equipment	10		
Proceeds from disposal – plant and equipment		224	89
Less: carrying amount of plant and equipment assets sold/written off		(295)	(50)
Net gain/(loss) on disposal		(71)	39
Infrastructure	10		
Less: carrying amount of infrastructure assets sold/written off		(566)	(1,570)
Net gain/(loss) on disposal		(566)	(1,570)
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		16,150	17,650
Less: carrying amount of investments sold/redeemed/matured		(16,150)	(17,650)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(955)	(1,531)

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.

The significant losses incurred this year relate to the write-off of road and bridge renewal programs at Munsie bridge/Gostwyck Road, Munsie bridge/Enmore Road, Eastern Avenue, Bundarra Road, Bingara Road and surface work at Park Street and Gilmore Place.

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	66	74
Cash-equivalent assets		
– Deposits at call	1,335	1,530
Total cash and cash equivalents	1,401	1,604

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				
b. 'Financial assets at amortised cost'	13,957	–	14,900	–
Total Investments	13,957	–	14,900	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	15,358	–	16,504	–
Financial assets at amortised cost				
Term deposits	13,957	–	14,900	–
Total	13,957	–	14,900	–

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 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	15,358	—	16,504	—
attributable to:				
External restrictions	9,365	—	9,613	—
Internal restrictions	4,583	—	5,592	—
Unrestricted	1,410	—	1,299	—
	15,358	—	16,504	—

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	493	525
McMaugh gardens resident bonds	2,437	2,317

External restrictions – included in liabilities

	2,930	2,842
--	-------	-------

External restrictions – other

Developer contributions – general	715	655
Specific purpose unexpended grants (recognised as revenue) – general fund	638	1,378
Water supplies	2,391	2,498
Sewerage services	2,411	2,240
Stormwater management	280	—

External restrictions – other

	6,435	6,771
--	-------	-------

Total external restrictions

	9,365	9,613
--	-------	-------

Internal restrictions

Plant and vehicle replacement	1,234	1,746
Employees leave entitlement	772	1,068
Carry over works	349	325
Reseals	260	648
Strategic development	320	320
FAGS Received in advance	1,382	1,329
Tip Remediation	266	156

Total internal restrictions

	4,583	5,592
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TOTAL RESTRICTIONS

	13,948	15,205
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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	783	—	457	—
Interest and extra charges	65	—	44	—
User charges and fees	268	—	205	—
Private works	14	—	7	—
Accrued revenues				
– Interest on investments	87	—	184	—
– Other income accruals	54	—	40	—
Amounts due from other councils	65	—	48	—
Government grants and subsidies	984	—	647	—
Net GST receivable	410	—	363	—
Resident contributions	73	—	77	—
Other debtors	193	—	137	—
Total	2,996	—	2,209	—
Less: provision of impairment				
Other debtors	(67)	—	(73)	—
Total provision for impairment – receivables	(67)	—	(73)	—
TOTAL NET RECEIVABLES	2,929	—	2,136	—
Externally restricted receivables				
Water supply				
– Rates and availability charges	62	—	51	—
– Other	273	—	207	—
Sewerage services				
– Rates and availability charges	90	—	79	—
– Other	14	—	3	—
Total external restrictions	439	—	340	—
Internally restricted receivables				
Resident contributions	44	—	—	—
Internally restricted receivables	44	—	—	—
Unrestricted receivables	2,446	—	1,796	—
TOTAL NET RECEIVABLES	2,929	—	2,136	—

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	73	69
+ new provisions recognised during the year	(6)	4
Balance at the end of the year	67	73

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

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

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

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

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

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

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

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

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

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

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

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
(a) Inventories				
(i) Inventories at cost				
Stores and materials	231	–	229	–
Total inventories at cost	231	–	229	–
<u>TOTAL INVENTORIES</u>	<u>231</u>	<u>–</u>	<u>229</u>	<u>–</u>
(b) Other assets				
Prepayments	36	–	59	–
<u>TOTAL OTHER ASSETS</u>	<u>36</u>	<u>–</u>	<u>59</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. 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	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000												
Capital work in progress	1,857	–	1,857	242	–	–	–	–	–	2,099	–	2,099
Plant and equipment	7,712	(3,793)	3,919	1,125	–	(295)	(535)	–	–	8,223	(4,009)	4,214
Office equipment	703	(602)	101	36	–	–	(55)	–	–	739	(657)	82
Furniture and fittings	1,027	(714)	313	32	–	–	(58)	–	–	1,059	(772)	287
Land:												
– Crown land	1,725	–	1,725	–	–	–	–	–	–	1,725	–	1,725
– Operational land	1,402	–	1,402	–	–	–	–	–	–	1,402	–	1,402
– Community land	2,643	–	2,643	–	8	–	–	–	–	2,651	–	2,651
Land improvements – non-depreciable	17	–	17	–	–	–	–	–	–	17	–	17
Infrastructure:												
– Buildings – non-specialised	25,837	(12,644)	13,193	854	12	(318)	(571)	–	–	26,115	(12,945)	13,170
– Other structures	1,308	(865)	443	3	5	–	(78)	–	–	1,316	(943)	373
– Sealed roads structure	103,602	(28,941)	74,661	2,826	93	(461)	(1,633)	–	7,458	114,737	(31,793)	82,944
– Unsealed roads	17,644	(12,731)	4,913	698	–	(65)	(602)	–	668	17,170	(11,558)	5,612
– Bridges	32,019	(11,461)	20,558	127	–	–	(327)	–	6,596	40,944	(13,990)	26,954
– Footpaths	1,888	(360)	1,528	–	147	–	(49)	(284)	–	1,764	(422)	1,342
– Bulk earthworks (non-depreciable)	77,319	–	77,319	28	–	(28)	–	(14,770)	–	62,549	–	62,549
– Stormwater drainage	2,479	(612)	1,867	–	–	–	(23)	–	1,295	4,215	(1,076)	3,139
– Water supply network	28,587	(15,053)	13,534	–	13	–	(424)	–	125	28,872	(15,624)	13,248
– Sewerage network	13,901	(5,788)	8,113	–	14	–	(212)	–	76	14,047	(6,056)	7,991
– Swimming pools	750	(609)	141	122	–	(11)	(25)	–	–	748	(521)	227
– Other open space/recreational assets	732	(225)	507	198	849	–	(43)	–	–	1,779	(268)	1,511
Other assets:												
– Heritage collections	90	–	90	–	–	–	–	–	–	90	–	90
– Other	91	(33)	58	–	4	–	(3)	–	–	95	(36)	59
Reinstatement, rehabilitation and restoration assets (refer Note 11):												
– Tip assets	2,296	(371)	1,925	168	–	–	(96)	–	–	2,464	(467)	1,997
Total Infrastructure, property, plant and equipment	325,629	(94,802)	230,827	6,459	1,145	(1,178)	(4,734)	(15,054)	16,218	334,820	(101,137)	233,683

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period						as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000												
Capital work in progress	1,967	–	1,967	–	–	–	–	(110)	–	1,857	–	1,857
Plant and equipment	7,079	(3,323)	3,756	11	730	(33)	(545)	–	–	7,712	(3,793)	3,919
Office equipment	613	(523)	90	–	90	–	(79)	–	–	703	(602)	101
Furniture and fittings	1,003	(659)	344	24	–	–	(55)	–	–	1,027	(714)	313
Land:												
– Operational land	1,821	–	1,821	–	–	–	–	–	–	1,402	–	1,402
– Community land	3,933	–	3,933	–	16	–	–	–	–	2,643	–	2,643
– Crown land	–	–	–	–	–	–	–	–	–	1,725	–	1,725
Land improvements – non-depreciable	17	–	17	–	–	–	–	–	–	17	–	17
Infrastructure:												
– Buildings – non-specialised	25,668	(12,090)	13,578	81	88	–	(554)	–	–	25,837	(12,644)	13,193
– Other structures	1,308	(814)	494	–	–	–	(51)	–	–	1,308	(865)	443
– Bridges	31,933	(11,418)	20,515	812	–	(452)	(317)	–	–	32,019	(11,461)	20,558
– Footpaths	1,888	(314)	1,574	–	–	–	(46)	–	–	1,888	(360)	1,528
– Bulk earthworks (non-depreciable)	77,432	–	77,432	222	–	(335)	–	–	–	77,319	–	77,319
– Stormwater drainage	2,479	(589)	1,890	–	–	–	(23)	–	–	2,479	(612)	1,867
– Water supply network	28,137	(14,377)	13,760	–	–	–	(439)	–	213	28,587	(15,053)	13,534
– Sewerage network	13,682	(5,481)	8,201	–	–	–	(216)	–	128	13,901	(5,788)	8,113
– Sealed roads structure	101,914	(27,758)	74,156	2,055	573	(733)	(1,500)	110	–	103,602	(28,941)	74,661
– Swimming pools	750	(595)	155	–	–	–	(14)	–	–	750	(609)	141
– Other open space/recreational assets	668	(200)	468	–	64	–	(25)	–	–	732	(225)	507
– Unsealed roads	17,559	(12,312)	5,247	277	–	(67)	(544)	–	–	17,644	(12,731)	4,913
Other assets:												
– Heritage collections	90	–	90	–	–	–	–	–	–	90	–	90
– Other	84	(30)	54	7	–	–	(3)	–	–	91	(33)	58
Reinstatement, rehabilitation and restoration assets (refer Note 11):												
– Tip assets	2,006	(259)	1,747	290	–	–	(112)	–	–	2,296	(371)	1,925
Total Infrastructure, property, plant and equipment	322,031	(90,742)	231,289	3,779	1,561	(1,620)	(4,523)	–	341	325,629	(94,802)	230,827

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent 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 20	Playground equipment	5 to 15
Office furniture	5 to 20	Benches, seats etc.	10 to 20
Computer equipment	4	Other open space recreational assets	10 to 100
Vehicles, trucks and utilities	5 to 10		
Dozers, graders and rollers	10	Buildings	
Other plant and equipment	10	Buildings: masonry	50 to 100
		Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains	75 to 125
Water & Sewer Treatment Plants	70 to 100	Culverts	75 to 125
Reticulation pipes: PVC	70 to 115	Flood control structures	75 to 125
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Meters & Water Plant	10		
Water Mains	80 to 100		
Sewer Mains	70 to 100		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	15 to 20	Bulk earthworks	Infinite
Sealed roads: structure	60 to 100	Swimming pools	50
Unsealed roads	20 to 30	Other open space/recreational assets	20
Bridge: concrete	100	Other infrastructure	20
Bridge: other	80		
Concrete road pavements	60		
Kerb, gutter and footpaths	40		

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

Land under roads

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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 the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to 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 are recognised as assets of the Council in these financial statements.

Note 11. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
(a) Contract assets		
Other	305	—
Total Contract assets	305	—

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	44	—
Total grants received in advance		44	—
Total contract liabilities		44	—

Notes**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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities (continued)

Accounting policy for contract assets and liabilities

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

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

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

Note 12. Leases

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

(i) Council as a lessee

Council has leases over a range of assets including infrastructure, office and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Office equipment is leased over five years with no residual value and equal monthly instalments.

Crown land is leased for between three and eight years with equal annual payments.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 2 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

\$ '000	Plant & Equipment	Ready to use	Crown Land	Total
Opening balance at 30 June 2019	–	–	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	21	–	73	94
Depreciation charge	(5)	–	(11)	(16)
<u>RIGHT OF USE ASSETS</u>	<u>16</u>	<u>–</u>	<u>62</u>	<u>78</u>

\$ '000	2020 Current	2020 Non-current
Lease liabilities	15	63
<u>TOTAL LEASE LIABILITIES</u>	<u>15</u>	<u>63</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

(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	15	41	22	78	78

\$ '000	2020 Current	2020 Non-current
(ii) Lease liabilities relating to restricted assets		
Total lease liabilities relating to unrestricted assets	15	63
<u>Total lease liabilities</u>	<u>15</u>	<u>63</u>

\$ '000	2020
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(c) Income Statement

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

Interest on lease liabilities	4
Amortisation of right of use assets	16
Expenses relating to short-term leases	11
	<u>31</u>

(d) Statement of Cash Flows

Total cash outflow for leases	18
	<u>18</u>

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

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.

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	414	–	358	–
Goods and services – capital expenditure	87	–	371	–
Accrued expenses:				
– Borrowings	12	–	12	–
– Salaries and wages	251	–	164	–
– Other expenditure accruals	288	–	406	–
Security bonds, deposits and retentions	2	–	3	–
Retirement home contributions	2,437	–	2,317	–
TCS Funding	645	–	779	–
Prepaid rates	145	–	–	–
TCT Funding	472	–	215	–
TCS HCP liability	604	–	451	–
Grants received on behalf of sporting clubs	–	–	113	–
Total payables	5,357	–	5,189	–
Borrowings				
Loans – secured ¹	265	1,924	233	2,194
Total borrowings	265	1,924	233	2,194
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>5,622</u>	<u>1,924</u>	<u>5,422</u>	<u>2,194</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 16.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Resident Bonds	2,437	–	2,317	–
McMaugh garden (interest bearing liabilities)	9	35	6	43
Payables and borrowings relating to externally restricted assets	2,446	35	2,323	43
Total payables and borrowings relating to restricted assets	2,446	35	2,323	43
Total payables and borrowings relating to unrestricted assets	3,176	1,889	3,099	2,151
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>5,622</u>	<u>1,924</u>	<u>5,422</u>	<u>2,194</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

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

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

Retirement home contributions	1,312	984
Total payables and borrowings	1,312	984

(c) 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	2,427	(238)	–	–	–	–	2,189
Lease liabilities	–	–	–	–	78	–	78
TOTAL	2,427	(238)	–	–	78	–	2,267

\$ '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	2,644	(217)	–	–	–	–	2,427
TOTAL	2,644	(217)	–	–	–	–	2,427

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

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

Bank overdraft facilities ¹	100	100
Credit cards/purchase cards	40	35
Total financing arrangements	140	135

Drawn facilities as at balance date:

– Credit cards/purchase cards	12	10
Total drawn financing arrangements	12	10

Undrawn facilities as at balance date:

– Bank overdraft facilities	100	100
– Credit cards/purchase cards	28	25
Total undrawn financing arrangements	128	125

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.

Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	738	–	730	–
Sick leave	54	–	54	–
Long service leave	1,339	165	1,523	75
Other leave	68	–	64	–
Sub-total – aggregate employee benefits	2,199	165	2,371	75
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	2,656	–	2,461
Sub-total – asset remediation/restoration	–	2,656	–	2,461
TOTAL PROVISIONS	2,199	2,821	2,371	2,536

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

(a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,592	1,430
	1,592	1,430

continued on next page ...

Page 43 of 83

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

(b) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
2020					
At beginning of year	730	54	1,598	64	2,446
Additional provisions	453	–	198	81	732
Amounts used (payments)	(445)	–	(292)	(77)	(814)
Total ELE provisions at end of year	738	54	1,504	68	2,364
2019					
At beginning of year	739	71	1,608	49	2,467
Additional provisions	508	(17)	219	15	725
Amounts used (payments)	(517)	–	(229)	–	(746)
Total ELE provisions at end of year	730	54	1,598	64	2,446

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	2,461	2,461
Changes to provision:		
Revised costs	168	168
Unwinding of discount	27	27
Total other provisions at end of year	2,656	2,656
2019		
At beginning of year	2,125	2,125
Revised costs	289	289
Unwinding of discount	47	47
Total other provisions at end of year	2,461	2,461

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

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.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

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.

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.

Costs incurred in fulfilling customer contracts

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

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.

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)

Principal v agent

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

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

Licences

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

Prepaid rates

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

Grants – operating

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

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:

Council has made the following changes to the Statement of Financial Position presentation resulting from the adoption of AASB 15:

- Movement of balances between receivables and contract assets.
- Additional line items of contract assets and contract liabilities have been created.

	Balance at 1 July 2019
\$ '000	
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 15	–
– Under AASB 1058	732
Total Contract liabilities	732

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

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)

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	Reclassification	Remeasurement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	1,401	—	—	1,401	
Investments	13,957	—	—	13,957	
Receivables ^{i, ii}	2,929	(144)	69	2,854	
Inventories	231	—	—	231	
Contract assets ⁱⁱⁱ	305	—	(305)	—	
Other	36	—	—	36	
Total current assets	18,859	(144)	(236)	18,479	
Current liabilities					
Payables ^{i, ii}	5,357	(144)	113	5,326	
Contract liabilities ⁱⁱ	44	—	(44)	—	
Lease liabilities	15	—	—	15	
Borrowings	265	—	—	265	
Provisions	2,199	—	—	2,199	
Total current liabilities	7,880	(144)	69	7,805	
Non-current assets					
Infrastructure, property, plant and equipment	233,683	—	—	233,683	
Right of use assets	78	—	—	78	
Total non-current assets	233,761	—	—	233,761	
Non-current liabilities					
Lease liabilities	63	—	—	63	
Borrowings	1,924	—	—	1,924	
Provisions	2,821	—	—	2,821	
Total Non-current liabilities	4,808	—	—	4,808	
Net assets	239,932	—	(305)	239,627	
Equity					
Accumulated surplus ⁱⁱⁱ	74,321	—	(305)	74,016	
Revaluation reserves	165,611	—	—	165,611	
Council equity interest	239,932	—	(305)	239,627	
Total equity	239,932	—	(305)	239,627	

(i) Recognition of prepaid rates as a financial liability until the beginning of the rating period.

(ii) Transfer of part of the contract liability to income received in advance and elimination of contract liability which arises under AASB 15 for funds received to construct an asset as principal, and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations.

Notes to the Financial Statements

for the year ended 30 June 2020

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

(iii) Elimination of contract cost asset which arises under AASB 15

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	6,644	—	—	6,644	
User charges and fees	5,075	—	—	5,075	
Other revenues	575	—	—	575	
Grants and contributions provided for operating purposes ⁱⁱⁱ	8,089	—	(7)	8,082	
Grants and contributions provided for capital purposes ⁱⁱ	2,988	—	(305)	2,683	
Interest and investment income	352	—	—	352	
Total Income from continuing operations	23,723	—	(312)	23,411	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	9,707	—	—	9,707	
Borrowing costs	149	—	—	149	
Materials and contracts ⁱⁱⁱ	5,142	—	(7)	5,135	
Depreciation and amortisation	4,750	—	—	4,750	
Other expenses	1,484	—	—	1,484	
Net losses from the disposal of assets	955	—	—	955	
Total Expenses from continuing operations	22,187	—	(7)	22,180	
Total Operating result from continuing operations	1,536	—	(305)	1,231	
Net operating result for the year	1,536	—	(305)	1,231	
Total comprehensive income	2,700	—	—	2,700	

(ii) Transfer of part of the contract liability to income received in advance and elimination of contract liability which arises under AASB 15 for funds received to construct an asset as principal, and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations.

(iii) Elimination of contract cost asset which arises under AASB 15

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

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

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)

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

Practical expedients used on transition

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

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

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$93,478 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 3.95%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	29
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	—
Add:	
Contracts not accounted for as operating lease commitments last year	93
Finance lease liabilities	—
Extension options reasonably certain to be exercised not included in the commitments note	—
Variable lease payments linked to an index	—
Other	—
Less:	
Short-term leases included in commitments note	—
Leases for low-value assets included in commitments note	—
Other	—
Lease liabilities recognised at 1 July 2019	93

Council as a lessor

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

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

Statement of Financial Position

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	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	—	93	93
Total assets	—	93	93
Payables – accrued interest on leases (30/6/2019)	—	—	—
Leases	—	93	93
Total liabilities	—	93	93
Accumulated surplus	—	—	—
Total equity	—	—	—

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)	1,401	1,604
Balance as per the Statement of Cash Flows		1,401	1,604
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,536	(176)
Adjust for non-cash items:			
Depreciation and amortisation		4,750	4,523
Net losses/(gains) on disposal of assets		955	1,531
Unwinding of discount rates on reinstatement provisions		54	47
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(787)	(194)
Increase/(decrease) in provision for impairment of receivables		(6)	4
Decrease/(increase) in inventories		(2)	(16)
Decrease/(increase) in other current assets		23	(5)
Decrease/(increase) in contract assets		(305)	–
Increase/(decrease) in payables		56	244
Increase/(decrease) in accrued interest payable		–	(2)
Increase/(decrease) in other accrued expenses payable		(31)	(348)
Increase/(decrease) in other liabilities		307	640
Increase/(decrease) in contract liabilities		44	–
Increase/(decrease) in provision for employee benefits		(82)	(21)
Increase/(decrease) in other provisions		141	(1)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		6,653	6,226

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.

New England Joint Organisation

The New England Joint Organisation (NEJO) is a body corporate which was proclaimed on 11 May 2018 under the Local Government Act 1993 with the legal capacity and powers of an individual. The principle functions of NEJO are to:

- Establish strategic regional priorities for the Joint Organisation Area and develop strategies and plans for delivering these priorities;
- Provide regional leadership for the Joint Organisation Area and to be an advocate for strategic regional priorities;
- Identify and take up opportunities for intergovernmental cooperation on matters relating to the Joint Organisation Area.

NEJO consists of seven voting member Councils located on the Highlands, Slopes and Plains of Northern New South Wales.

The Board consists of:

- The Mayors of each Member Council, who are entitled to one (1) vote at Meetings;

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Interests in other entities (continued)

- A non-voting representative of the NSW Government, who is the Regional Director of the Department of Premier and Cabinet.

The role of the Board is to direct and control the affairs of NEJO. A decision of the Board supported by a majority at which a quorum is present is a decision of NEJO. Uralla Shire Council has a one-seventh voting right, and based on the above, does not have control, joint control or significant influence over decision making or the overall activities of the organisation.

In accordance with the NEJO Charter, Uralla Shire Council contributed \$5,000 in annual fees for the 2019-20 year towards the operation of the joint organisation.

New England Weeds Authority

New England Weeds Authority (NEWA) is the registered trading name of The New England Tablelands Noxious Plants County Council. NEWA is a single purpose Council which is a Local Control Authority for priority and invasive weeds under the NSW Biosecurity Act, 2015. The present area of operation of NEWA is the local government areas of Uralla Shire Council, Armidale Regional Council, Walcha Shire Council, and Glen Innes Severn Council (under a Memorandum of Understanding). These Councils are located in the Northern Tablelands region of New South Wales.

The County Council's governance is in accordance with the Local Government Act 1993 (LGA 1993) with the County Council first proclaimed in 1947.

NEWA is funded by contributions from its four Constituent Councils, grants and private works. Each Constituent Council has delegated its Noxious weeds control function to NEWA and contributes in accordance with NEWA's proclamation. NEWA's governing body consists of five Councillors elected by each of the Constituent Councils.

Council does not have control, joint control or significant influence over decision making or the overall activities of the organisation.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments

\$ '000	2020	2019
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(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Plant and equipment	363	239
Bundarra Sewer Scheme	20	289
Stronger Country Community Projects	74	199
VIC Redevelopment	413	–
Solar panel supply & installation	80	–
McMaugh generator & LED lights	56	–
Other	–	93
Total commitments	1,006	820

These expenditures are payable as follows:

Within the next year	1,006	820
Total payable	1,006	820

Sources for funding of capital commitments:

Future grants and contributions	643	300
Unexpended grants	–	199
Externally restricted reserves	–	46
Internally restricted reserves	363	259
Unexpended loans	–	16
Total sources of funding	1,006	820

(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	–	13
Later than one year and not later than 5 years	–	16
Total non-cancellable operating lease commitments	–	29

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

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

The operating lease in place is for business premises. The lease agreement does not impose any financial restrictions on Council regarding future debt. A further operating lease relates to rental for two photocopiers.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$88,385. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$59,500. Council's expected contribution to the plan for the next annual reporting period is \$98,452.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.15% as at 30 June 2020.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

(iii) Central Northern Libraries

The Uralla Shire Council is a member of the Central Northern Libraries Group.

This group operates under the Central Northern Library Regional Library Agreement renewed from 1 July 2010, administered by the Tamworth Regional Council on behalf of the six members.

From 1 July 2012, the Gwydir Shire Council has been admitted as a member of the Central Northern Regional Libraries. The Gwydir Shire Council will not be entitled to share in reserves which existed at 30 June 2012 (Clause 2 of the Variation of Central Northern Regional Library Regional Library Agreement 2012).

Clause 7.1 of the Agreement states: "Tamworth Regional Council shall own the assets acquired from Central Northern Regional Library's budget subject to the 'reimbursement rights' held by each of the Delegating Councils as provided by this clause."

Clause 7.3 states: "Upon the termination of this agreement, a proportion of the assets identified in the asset register shall be distributed to the Delegating Councils. The method for determining the a set distribution to each Delegating Council is specified in Schedule 4 of this Agreement."

Schedule 4 determines that the distribution of the net assets shall be apportioned in the ratio of the contributions made in the three preceding years or the current life of the existing agreement. The net assets of the Central Northern Regional Library at

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

30 June 2019 were \$1,729,374 with a Surplus from Ordinary Activities of \$143,223 for the 2018/2019 year. The percentage of contribution and share of net assets for the Uralla Shire Council is 7.2%.

(iv) Rural Fire Fighting Assets

Council has title to, and is the registered owner of vehicles including category 1 and 2 rural fire appliances and associated rural fire fighting equipment.

These assets are under the control of the Rural Fire Services to enable that authority to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have been recognised in these reports as assets (Note 10a Accounting policy for infrastructure, property, plant and equipment). In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

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	1,401	1,604	1,401	1,604
Receivables	2,929	2,136	2,929	2,136
Investments				
– 'Financial assets at amortised cost'	13,957	14,900	13,957	14,900
Total financial assets	18,287	18,640	18,287	18,640
Financial liabilities				
Payables	5,357	5,189	5,357	5,189
Loans/advances	2,189	2,427	2,189	2,427
Lease liabilities	78	–	78	–
Total financial liabilities	7,624	7,616	7,624	7,616

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** – 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.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

Council's finance area manages the cash and Investments portfolio.

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

The risks associated with the investments 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.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

The impact on results 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	160	160	(160)	(160)
2019				
Possible impact of a 1% movement in interest rates	146	146	(146)	(146)

(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

continued on next page ...

Page 59 of 83

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

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	624	17	15	127	–	783
2019						
Gross carrying amount	413	7	7	30	–	457

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	–	1,455	–	480	278	2,213
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	24.10%	3.03%
ECL provision	–	–	–	–	67	67
2019						
Gross carrying amount	2	1,387	18	1	344	1,752
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	21.20%	4.16%
ECL provision	–	–	–	–	73	73

(c) Liquidity risk

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	2,773	1,127	1,312	–	5,212	5,212
Loans and advances	4.96%	–	320	1,175	1,234	2,729	2,189
Total financial liabilities		2,773	1,447	2,487	1,234	7,941	7,401
2019							
Trade/other payables	0.00%	2,872	1,333	984	–	5,189	5,189
Loans and advances	5.06%	–	347	1,496	1,234	3,077	2,427
Total financial liabilities		2,872	1,680	2,480	1,234	8,266	7,616

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 25/06/2019 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	6,504	6,644	140	2% F
User charges and fees	4,830	5,075	245	5% F
Other revenues	477	575	98	21% F
Insurance recoveries of \$195,000 had not been included in the original budget.				
Operating grants and contributions	7,522	8,089	567	8% F
Capital grants and contributions	5,086	2,988	(2,098)	(41)% U
Council had anticipated the partial completion of the Bundarra Sewer project expecting a receipt of capital grants of \$3.203 million. Due to the delay in this project the actual grant received during the year was only \$138,000, a shortfall of \$3.065 million. Council also received additional Stronger Country Community capital grants of \$622,000 and \$220,000 for water treatment works.				
Interest and investment revenue	256	352	96	38% F
The budget had expected a significant reduction in cash and investments as a result of the proposed capital works program. However, due to changes in the works program and the consequent retention of cash funds, additional interest was earned from investments despite the fall in interest rates over the year.				
EXPENSES				
Employee benefits and on-costs	10,250	9,707	543	5% F
Borrowing costs	156	149	7	4% F
Materials and contracts	3,871	5,142	(1,271)	(33)% U
Due to a change in the mix of costs for various projects, the final allocation of expenditure for employee benefits and on-costs, materials and contracts, and other expenses varies to the original budget. However, the total costs relating to these expenses is \$16.333 million compared to a total budget of \$16.104 million, a variance of only \$229,000, or 1.4%.				
Depreciation and amortisation	4,345	4,750	(405)	(9)% U
The original budget was prepared prior to the update of asset values for 2018/19 which lead to an under-estimate of depreciation for the year.				
Other expenses	1,983	1,484	499	25% F
As noted above for materials and contracts, this variation relates to a change in the mix of costs for council operations.				
Net losses from disposal of assets	–	955	(955)	∞ U
The original budget did not allow for the write-off of assets that were replaced or remediated during the year.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations (continued)

	2020	2020	2020	
\$ '000	Budget	Actual	Variance	

STATEMENT OF CASH FLOWS

Cash flows from operating activities	8,256	6,653	(1,603)	(19)%	U
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The major variations for this item relate to the reduction in expected capital grants as noted above together with the gross-up of GST in the actual payments.

Cash flows from investing activities	(9,889)	(6,722)	3,167	(32)%	F
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The budget anticipated a significant spend on infrastructure, property, plant and equipment that did not arise due to a number of factors. The major item was the Bundarra sewer scheme with a capital expenditure shortfall of \$4.595 million. Consequently, the funds were partially reassigned to the purchase of additional investment securities.

Cash flows from financing activities	(225)	(134)	91	(40)%	F
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The major variation in cash flows from financing activities relates to the net increase in bonds received for entry to McMaugh Gardens.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
2020					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/2019	–	–	4,214	4,214
Office equipment	30/06/2019	–	–	82	82
Furniture and fittings	30/06/2019	–	–	287	287
Operational land	30/06/2018	–	–	1,821	1,821
Community land	30/06/2018	–	–	3,957	3,957
Land improvements – non-depreciable	30/06/2016	–	–	17	17
Buildings – non-specialised	30/06/2018	–	–	13,170	13,170
Other structures	30/06/2016	–	–	373	373
Sealed road structure	30/06/2020	–	–	82,944	82,944
Unsealed roads	30/06/2020	–	–	5,612	5,612
Bridges	30/06/2020	–	–	26,954	26,954
Footpaths	30/06/2020	–	–	1,342	1,342
Bulk earthworks	30/06/2020	–	–	62,549	62,549
Stormwater drainage	30/06/2020	–	–	3,139	3,139
Water supply network	30/06/2019	–	–	13,248	13,248
Sewerage network	30/06/2019	–	–	7,991	7,991
Heritage collection	30/06/2014	–	–	90	90
Other assets	30/06/2016	–	–	59	59
Other open space / recreational assets	30/06/2016	–	–	1,511	1,511
Swimming pools	30/06/2016	–	–	227	227
Total infrastructure, property, plant and equipment		–	–	229,587	229,587

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 unobserv-able inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/19	—	—	3,919	3,919
Office equipment	30/06/19	—	—	101	101
Furniture and fittings	30/06/19	—	—	313	313
Operational land	30/06/18	—	—	1,821	1,821
Community land	30/06/18	—	—	3,949	3,949
Land improvements – non-depreciable	30/06/16	—	—	17	17
Buildings – non-specialised	30/06/18	—	—	13,193	13,193
Other structures	30/06/16	—	—	443	443
Sealed road structure	30/06/15	—	—	74,661	74,661
Unsealed roads	30/06/15	—	—	4,913	4,913
Bridges	30/06/15	—	—	20,453	20,453
Footpaths	30/06/15	—	—	1,528	1,528
Bulk earthworks	30/06/15	—	—	77,319	77,319
Stormwater drainage	30/06/15	—	—	1,867	1,867
Water supply network	30/06/19	—	—	13,534	13,534
Sewerage network	30/06/19	—	—	8,113	8,113
Heritage collection	30/06/14	—	—	90	90
Other assets	30/06/16	—	—	58	58
Other open space / recreational assets	30/06/16	—	—	507	507
Swimming pools	30/06/16	—	—	141	141
Total infrastructure, property, plant and equipment		—	—	226,940	226,940

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)

Councils Plant & Equipment, Furniture and Fittings incorporates:

Major Plant - trucks, tractors, graders, rollers and excavators
 Fleet Vehicles - cars, vans, utes etc.
 Minor Plant - chainsaw, brush cutters, mowers, concrete mixers.
 Furniture and Fittings - desks, chairs, display system.
 Office Equipment - computers, monitors, projectors, laptops

Plant equipment, office equipment and furniture & fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount reflects the fair value of the asset due to the nature of the items as shown above

The unobservable Level 3 inputs used include:

Pattern of Consumption
 Useful Life
 Asset Condition
 Residual Value
 Gross Replacement Cost

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

Land - Operational Land

Council's "Operational" land by definition has no special restriction other than those that may apply to any parcel of land. Fair value for operational land is obtained from an external valuer every 5 years.

Last valuation was conducted in 2018 using Level 3 Inputs

Generally, fair value is the most advantageous price reasonably obtained by the seller and the most advantageous price reasonably obtained by buyer. This is not necessarily the market selling price of the asset rather, the maximum value that Council would rationally pay to acquire the asset, taking into account quoted market price in an active and liquid market, current market price of similar asset, cost of replacing an asset.

Criteria for this include: Land description and dimensions, planning and other constraints on development and the potential for alternative use (Valued by AssetVal in March 2018).

The unobservable Level 3 inputs used include:

Rates per Square Metre
Description of Land

The 'Market Approach' is used to value operational land. There has been no change to the valuation process during the reporting period.

Land Improvements

Land Improvements are repairs to the dam located at The Glen on New England Highway and a small piece of land at the Sewerage Works. Values are determined based on actual cost of construction and maintenance.

Any infrastructure constructed on improved land is separately valued.

Council carries fair value of land reserves using Level 3 Inputs

The unobservable Level 3 inputs used include:

Useful Life
Asset Condition
Asset Condition

The cost approach is used to value the land improvements. There has been no change to the valuation process during the reporting period.

Land - Community Land

Council's "Community" Land (including owned by Council, The Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed or dedication under section 94 of the EPA Act 1979). This gives rise to the restriction in the Act, intended to preserve the qualities of the land. Community land is valued at Valuer General unimproved capital value (UCV) which takes into account highest and best use values. This land was revalued in 2018.

Community Land:

Cannot be sold

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

Must have a plan of management for it.

Buildings - Non Specialised

Council buildings includes Libraries, Public Amenities, Sporting Club, Kiosks and Amenities, Depot Building and Workshops, McMaugh's Aged Care Centre, Community Centre, Visitor Information Centre, Pre School, SES Shelter and others. Council carries fair value buildings using level 3 inputs. Valuations were carried out by external valuers - AssetVAL in March 2018 using the cost approach.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

This approach estimates the replacement cost for each building by componentising the building into significant parts with different useful life and taking into account a range of factors.

Buildings are valued by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost. These rates are derived from substantial analysis of construction costs by Council's valuer (Valued by AssetVal in March 2018). Each building is assigned a residual value. Further improvements could be achieved by componentising buildings.

The unobservable Level 3 inputs used include:

Pattern of Consumption	Future Economic Benefit
Useful Life	Residual Value
Asset Condition	Remaining useful life

The cost approach is used to value the Buildings. There has been no change to the valuation process during the reporting period.

Infrastructure - Roads

This asset class comprises the Road Carriageway, Bus Shelter, Car Parks, Guardrails, Kerb and Gutter, Suburb Markers, and Traffic Facilities.

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

Council's Asset Management System include condition assessment data for a 5 year cycle on sealed roads and routine inspections of unsealed roads. An asset condition assessment was carried out by Shepherd Asset Management Solutions during 2020.

To determine the unit cost of seals, Council used external professionals, Australis Asset Advisory Group and Vanguard Consulting Group, to provide unit rates and replacement cost for all road asset classes. Roads are componentised into road surface, base, sub-base and earthworks. Surface has been split into sealed and unsealed road components.

Council fair values road infrastructure assets using Level 3 inputs at a component level.

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

The unobservable Level 3 inputs used include:

Pattern of Consumption	Asset Condition	Remaining useful life
Useful Life and Residual Value	Gross Replacement Cost	

The cost approach is used to value the Roads (Sealed and Unsealed). There has been no change in valuation technique from prior years.

Infrastructure- Footpaths

A footpath is defined as all footways (including those shared with a cycleway) sealed or non-sealed. Council has specification for dimensions of cycleway and pathways. A full assessment was undertaken in 2020 by external consultants Australis and Vanguard.

These inspections were carried out to comply with insurance protocols and to provide data for the revaluation that occurred during 2020. Current replacement costs are based on modern equivalent unit rates..

Councils fair values, footpaths, (non componentised) using Level 3 inputs

Pattern of Consumption
Useful Life
Asset Condition
Future Economic Benefit
Remaining useful life

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

The cost approach is used to value the Footpaths. There has been no change to the valuation process during the reporting period.

Infrastructure - Stormwater Drainage

Council's Drainage Assets comprises pits, culverts, open channels, headwalls and various type of water 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. Council has adopted useful life of between 75 and 125 years for its stormwater drainage assets.

Condition assessment for all stormwater drainage was carried out in 2020. All systems have been assessed as being satisfactory or better. A full assessment was undertaken in 2020 by external consultants Australis and Vanguard. Council carries fair value drainage assets (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

Pattern of Consumption
Useful Life and Residual Value
Asset Condition
Gross Replacement Cost
Remaining useful life

The cost approach is used to value the Stormwater Drainage. There has been no change in valuation technique from prior years.

Infrastructure-Sewerage Network

Council's Sewerage Network consist of Sewer pipes, pump stations, treatment plant, telemetry system, manholes. Council carries fair values Sewerage Network Assets (non - componentised) using Level 3 inputs.

Current replacement costs for sewer assets have been derived by utilizing Rawlinson Rates and NSW Office of Water Revenue rates, unit costs and lump sums. Council engaged a highly qualified and experienced engineer to undertake a revaluation of its sewer assets in 2017. 100% of above ground infrastructure was inspected.

Council identifies 10 critical mains section each year for inspection; selection is based on the log of overflows, leakages or complaints. Data limitations therefore exist based upon sampling of inspections, lack of historical maintenance and complaint data. All asset components were assigned a residual value, useful life and remaining useful life, and were conditioned rated at time of valuation, with the condition rating determining the remaining useful life. A physical inspection of ground level assets was conducted and photographic evidence, including use of video, was collected of manholes and mains to support condition assessments.

The unobservable Level 3 inputs used include:

Useful Life
Asset Condition
Future Economic Benefit
Remaining useful life

The cost approach is used to value the Sewerage Network. There has been no change to the valuation process during the reporting period.

Other Assets

Council's other assets compromise of Heritage Collections - Thunderbolts Painting and other miscellaneous assets. A valuation of the collection of Thunderbolts paintings was undertaken by A.N.G Art Consulting in August 2014 providing a reasonable estimate of the replacement value of each work based on current market prices for similar works by the same artist. Other infrastructure assets were revalued during 2016 including the swimming pool which has now been recognised separately in the infrastructure note. Council carries fair values of other assets using level 3 inputs.

The unobservable Level 3 inputs used include:

Pattern of Consumption

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Useful Life and Residual Value

Asset Condition

Gross Replacement Cost

Remaining useful life

The cost approach is used to value the Other Assets. There has been no change in valuation technique from prior year.

Infrastructure- Bridges

Council has 50 bridges/major culverts on local roads and 33 bridges/major culverts on regional roads. Of these, two bridges were replaced in 2017/18 with some additional work finalised in 2018/19.

All Council bridges are inspected by Council's qualified inspectors on a biannual program.

Council engaged an independent company to assess HML capacity on selected bridges in 2018-19.

Council used external professionals, Australis Asset Advisory Group and Vanguard Consulting Group, to provide unit rates and replacement cost for all bridges and culverts.

Bridges are componentised into bridges and major culverts, and culverts and drainage assets include both pits and pipes.

The unobservable Level 3 inputs used include:

Pattern of Consumption

Useful Life and Residual Value

The cost approach is used to value the Bridges. There has been no change in valuation technique from previous years.

Infrastructure- Bulk Earthworks

Council Bulk Earthworks consists of cuttings, fill and levelling of earth and rocks.

Council used external professionals, Australis Asset Advisory Group and Vanguard Consulting Group, to provide unit rates and replacement cost for all earthworks.

The unobservable Level 3 inputs used include Unit Rates & Asset Condition.

The cost approach is used to value the Bulk Earthworks. There has been no change in valuation technique from prior years.

Infrastructure- Water Supply Network

Council's Water Network consist of Water pipes, pump stations, treatment plant, telemetry system and reservoirs
Council carries fair value Water Supply Network Assets (non-componentised) using Level 3 inputs.

Current replacement costs for water assets have been derived by utilizing Rawlinson Rates and NSW Office of Water references rates, unit costs and lump sum. Council engaged an engineer to undertake a revaluation of water assets in 2017. Physical inspections were carried out with photographic evidence collected to support condition ratings. 100% of above ground infrastructure was inspected. Council identifies 10 critical mains sections each year for inspection; selection is based on the log of overflows, leakages or complaints. Data limitations therefore exist due to lack of records of historical maintenance and inspection and sampling of inspections. All asset components are assigned a residual value, useful life and remaining useful life, and were conditioned rated at time of revaluation, with the condition rating determining the useful life.

The unobservable Level 3 inputs used include:

Pattern of Consumption

Useful Life

The cost approach is used to value the Water Network. There has been no change in valuation technique from prior years.

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	Operational Land	Community Land	Land improvements	Buildings and other infrastructure	Sealed roads
2019					
Opening balance	1,821	3,933	17	14,540	74,156
Purchases (GBV)	–	16	–	233	2,725
Disposals (WDV)	–	–	–	–	(720)
Depreciation and impairment	–	–	–	(630)	(1,500)
Closing balance	1,821	3,949	17	14,143	74,661
2020					
Opening balance	1,821	3,949	17	14,143	74,661
Purchases (GBV)	–	8	–	1,921	2,919
Disposals (WDV)	–	–	–	(318)	(461)
Depreciation and impairment	–	–	–	(692)	(1,633)
FV gains – other comprehensive income	–	–	–	–	7,458
Closing balance	1,821	3,957	17	15,054	82,944

\$ '000	Unsealed roads	Bridges	Footpaths	Bulk earthworks (non-depreciable)	Stormwater drainage
2019					
Opening balance	5,247	20,515	1,574	77,432	1,890
Purchases (GBV)	277	812	–	398	–
Disposals (WDV)	(67)	(452)	–	(511)	–
Depreciation and impairment	(544)	(317)	(46)	–	(23)
Closing balance	4,913	20,558	1,528	77,319	1,867
2020					
Opening balance	4,913	20,558	1,528	77,319	1,867
Purchases (GBV)	698	127	147	28	–
Disposals (WDV)	(65)	–	–	(28)	–
Depreciation and impairment	(602)	(327)	(49)	–	(23)
FV gains – other comprehensive income	668	6,596	(284)	(14,770)	1,295
Closing balance	5,612	26,954	1,342	62,549	3,139

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

\$ '000	Water supply network	Sewerage network	Other assets	Plant and equipment	Total
2019					
Opening balance	13,760	8,201	299	4,190	227,575
Purchases (GBV)	—	—	14	858	5,333
Disposals (WDV)	—	—	(7)	(36)	(1,793)
Depreciation and impairment	(439)	(216)	(17)	(679)	(4,411)
FV gains – other comprehensive income	213	128	—	—	341
Closing balance	13,534	8,113	289	4,333	227,045
2020					
Opening balance	13,534	8,113	289	4,333	227,045
Purchases (GBV)	13	14	126	1,193	7,194
Disposals (WDV)	—	—	(11)	(295)	(1,178)
Depreciation and impairment	(424)	(212)	(28)	(648)	(4,638)
FV gains – other comprehensive income	125	76	—	—	1,164
Closing balance	13,248	7,991	376	4,583	229,587

d. The valuation process for level 3 fair value measurements

The valuation techniques prescribed by AASB 13 can be summarised as:

Cost approach - Valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost).

Income approach - Valuation technique that converts future amounts (cash inflow /outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market approach - Valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

For the purpose of level 3 fair value measurement a Cost Approach was used for most assets except Land - Operational and Community where a market approach is required. The inputs used for this technique are:

Pattern of consumption
Residual Value
Asset Condition
Useful Life
Unit Rates

(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	763	712
Post-employment benefits	107	91
Total	870	803

(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.

A close family member of a key management personnel was previously employed through an arm's length process. They are paid in accordance with the Award for the job they perform. The council employs over 150 staff of which only 1 is a close family member of 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	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
Roads	503	44	–	10	–	–	557	–
Traffic facilities	19	–	–	1	–	–	20	–
Community facilities	79	1	–	1	–	–	81	–
Other	54	2	–	1	–	–	57	–
S7.11 contributions – under a plan	655	47	–	13	–	–	715	–
Total S7.11 and S7.12 revenue under plans	655	47	–	13	–	–	715	–
Total contributions	655	47	–	13	–	–	715	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Statement of developer contributions (continued)

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN – RURAL INVERGOWRIE								
Roads	90	4	–	2	–	–	96	–
Traffic facilities	19	–	–	1	–	–	20	–
Community facilities	79	1	–	1	–	–	81	–
Other	49	2	–	1	–	–	52	–
Total	237	7	–	5	–	–	249	–
CONTRIBUTION PLAN – RURAL								
Other	5	–	–	–	–	–	5	–
Total	5	–	–	–	–	–	5	–
CONTRIBUTION PLAN – DCP ROAD MAINTENANCE ROYALTIES								
Roads	413	40	–	8	–	–	461	–
Total	413	40	–	8	–	–	461	–

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	5,511	480	653
User charges and fees	4,508	560	7
Interest and investment revenue	236	62	54
Other revenues	563	–	12
Grants and contributions provided for operating purposes	7,535	541	13
Grants and contributions provided for capital purposes	2,630	220	138
Total income from continuing operations	20,983	1,863	877
Expenses from continuing operations			
Employee benefits and on-costs	8,933	581	193
Borrowing costs	149	–	–
Materials and contracts	3,779	1,109	254
Depreciation and amortisation	4,079	451	220
Other expenses	1,473	4	7
Net losses from the disposal of assets	955	–	–
Total expenses from continuing operations	19,368	2,145	674
Operating result from continuing operations	1,615	(282)	203
Net operating result for the year	1,615	(282)	203
Net operating result attributable to each council fund	1,615	(282)	203
Net operating result for the year before grants and contributions provided for capital purposes	(1,015)	(502)	65

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	1,299	91	11
Investments	9,257	2,300	2,400
Receivables	2,490	335	104
Inventories	231	–	–
Contract assets	305	–	–
Other	36	–	–
Total current assets	13,618	2,726	2,515
Non-current assets			
Infrastructure, property, plant and equipment	210,175	14,251	9,257
Right of use assets	78	–	–
Total non-current assets	210,253	14,251	9,257
TOTAL ASSETS	223,871	16,977	11,772
LIABILITIES			
Current liabilities			
Payables	5,357	–	–
Contract liabilities	44	–	–
Lease liabilities	15	–	–
Borrowings	265	–	–
Provisions	2,199	–	–
Total current liabilities	7,880	–	–
Non-current liabilities			
Lease liabilities	63	–	–
Borrowings	1,924	–	–
Provisions	2,821	–	–
Total non-current liabilities	4,808	–	–
TOTAL LIABILITIES	12,688	–	–
Net assets	211,183	16,977	11,772
EQUITY			
Accumulated surplus	60,253	8,019	6,049
Revaluation reserves	150,930	8,958	5,723
Council equity interest	211,183	16,977	11,772
Total equity	211,183	16,977	11,772

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(497)	(2.40)%	(0.87)%	2.16%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	20,735				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	15,178	63.98%	70.52%	69.45%	>60.00%
Total continuing operating revenue ¹	23,723				
3. Unrestricted current ratio					
Current assets less all external restrictions	9,055	2.36x	2.22x	2.25x	>1.50x
Current liabilities less specific purpose liabilities	3,843				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4,402	10.92x	11.43x	13.18x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	403				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	848	11.76%	7.25%	5.38%	<10.00%
Rates, annual and extra charges collectible	7,213				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	15,358	9.99 mths	11.50 mths	10.26 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	1,538				

(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}	(0.33)%	0.15%	(30.55)%	(31.20)%	8.80%	17.06%	>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	63.62%	68.56%	59.15%	98.45%	82.78%	78.20%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.36x	2.22x	∞	∞	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10.34x	10.20x	∞	∞	∞	∞	>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	11.66%	6.28%	11.67%	13.49%	12.71%	11.43%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.10	9.69	13.38	30.78	42.93	33.35	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

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

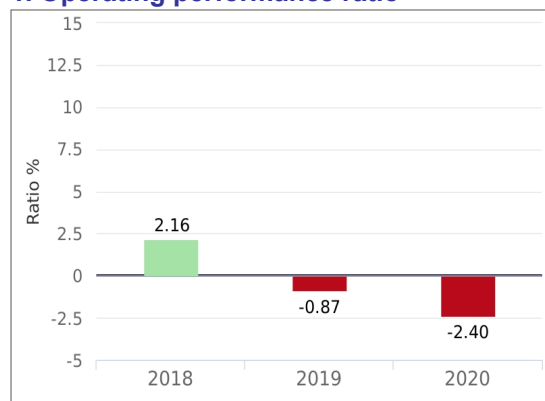
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

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 (2.40)%

Despite significant funding boosts through both State and Federal Government grants, council has incurred a loss for a second year in a row, aligning the results more closely to budget projections. Further work will be needed from both Council and the community to align operating expenditure with operating revenue and to consider appropriate and acceptable service levels.

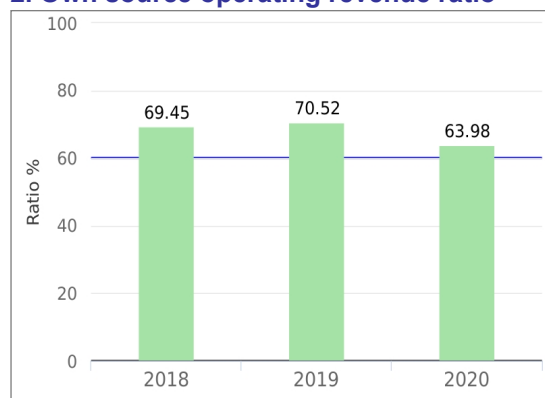
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 63.98%

Whilst council has maintained a ratio above the benchmark for the past seven years, reflecting less reliance on other government grants for continuing operations, there will need to be further focus on driving other income sources to achieve financial sustainability in the future.

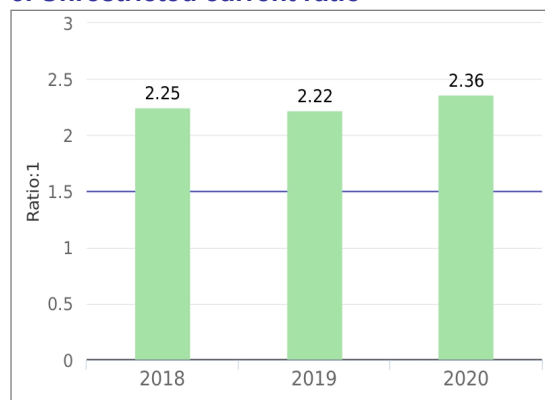
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 2.36x

This result reflects council's ability to pay debts from reserves not restricted for other purposes. It is supported by increasing the unrestricted cash detailed in note 7(c) above prior years. Council must continue to build these reserves to provide future fiscal flexibility.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

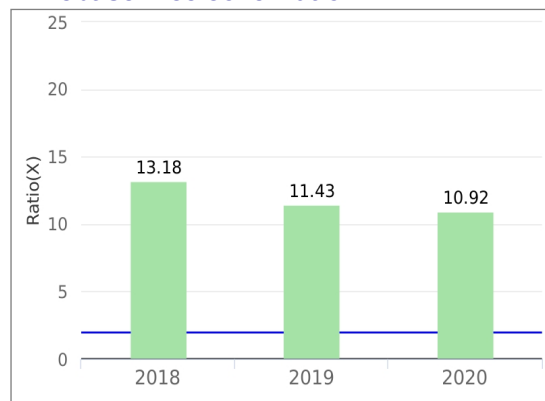
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 10.92x

The high ratios here reflect Council's decision to fund asset replacement, renewal and expansion without the need to borrow for these activities. It also indicates that council has ample ability to borrow funds should an appropriate investment opportunity arise in the future.

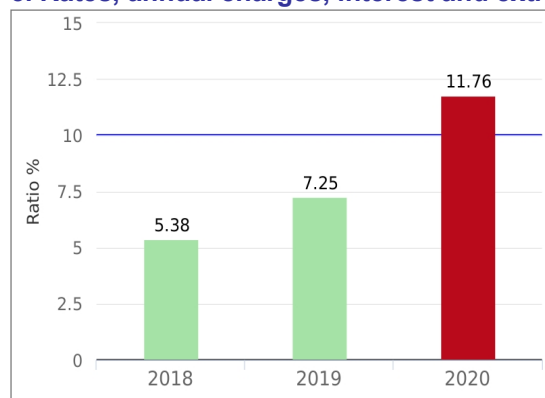
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 11.76%

The continued increase in outstanding rates over the past four years may be an indication of the difficult conditions rate payers are experiencing. Although two percent of the increase this year relates to a change in accounting policy, council will need to work even harder at managing this debt to ensure that this ratio does not deteriorate further in the coming year.

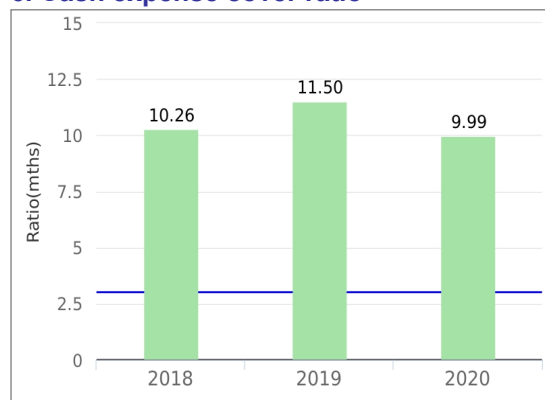
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 9.99 mths

Council continues to hold sufficient cash to pay for operating expenses without the need for additional cash inflow.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Council information and contact details

Principal place of business:

32 Salisbury Street
Uralla NSW 2358

Contact details

Mailing Address:

PO Box 106
Uralla NSW 2358

Opening hours:

8:30am - 4:30pm
Monday to Friday

Telephone: 02 6778 6300

Facsimile: 02 6778 6349

Internet: <http://www.uralla.nsw.gov.au/>

Email: council@uralla.nsw.gov.au

Officers

General Manager

Kate Jessep

Responsible Accounting Officer

Simon Paul

Public Officer

Ms Nathalie Heaton

Auditors

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

Elected members

Mayor

Michael Pearce

Councillors

Cr Robert Crouch
Cr Mark Dusting
Cr Levi Sampson
Cr Natasha Ledger
Cr Isabel Strutt
Cr Tom O'Connor
Cr Robert Bell
Cr Tara Toomey

Other information

ABN: 55 868 272 018

General Purpose Financial Statements
for the year ended 30 June 2020

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General Purpose Financial Statements
for the year ended 30 June 2020

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Uralla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



Special Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Income Statement – Private works	6
Income Statement – McMaugh Gardens	7
Statement of Financial Position – Water Supply Business Activity	8
Statement of Financial Position – Sewerage Business Activity	9
Statement of Financial Position – Private works	10
Statement of Financial Position – McMaugh Gardens	11
Note 1 – Significant Accounting Policies	12
Auditor's Report on Special Purpose Financial Statements	15

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 10 November 2020.

Michael Pearce

Mayor

10 November 2020

Isabel Strutt

Councillor

10 November 2020

Kate Jessep

General Manager

10 November 2020

Simon Paul

Responsible Accounting Officer

10 November 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	480	415
User charges	560	582
Interest	62	73
Grants and contributions provided for non-capital purposes	541	17
Other income	–	9
Total income from continuing operations	1,643	1,096
Expenses from continuing operations		
Employee benefits and on-costs	581	370
Materials and contracts	1,109	599
Depreciation, amortisation and impairment	451	464
Other expenses	4	5
Total expenses from continuing operations	2,145	1,438
Surplus (deficit) from continuing operations before capital amounts	(502)	(342)
Grants and contributions provided for capital purposes	220	–
Surplus (deficit) from continuing operations after capital amounts	(282)	(342)
Surplus (deficit) from all operations before tax	(282)	(342)
SURPLUS (DEFICIT) AFTER TAX	(282)	(342)
Plus accumulated surplus	8,299	8,641
Closing accumulated surplus	8,017	8,299
Return on capital %	(3.5)%	(2.4)%
Subsidy from Council	627	532
Calculation of dividend payable:		
Surplus (deficit) after tax	(282)	(342)
Less: capital grants and contributions (excluding developer contributions)	(220)	–

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	653	726
User charges	7	10
Interest	54	64
Grants and contributions provided for non-capital purposes	13	15
Other income	12	—
Total income from continuing operations	739	815
Expenses from continuing operations		
Employee benefits and on-costs	193	185
Materials and contracts	254	257
Depreciation, amortisation and impairment	220	225
Other expenses	7	9
Total expenses from continuing operations	674	676
Surplus (deficit) from continuing operations before capital amounts	65	139
Grants and contributions provided for capital purposes	138	208
Surplus (deficit) from continuing operations after capital amounts	203	347
Surplus (deficit) from all operations before tax	203	347
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(18)	(38)
SURPLUS (DEFICIT) AFTER TAX	185	309
Plus accumulated surplus	5,846	5,499
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	18	38
Closing accumulated surplus	6,049	5,846
Return on capital %	0.7%	1.5%
Subsidy from Council	16	—
Calculation of dividend payable:		
Surplus (deficit) after tax	185	309
Less: capital grants and contributions (excluding developer contributions)	(138)	(208)
Surplus for dividend calculation purposes	47	101
Potential dividend calculated from surplus	24	50

Income Statement – Private works

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	109	34
Grants and contributions provided for non-capital purposes	69	–
Total income from continuing operations	178	34
Expenses from continuing operations		
Employee benefits and on-costs	42	27
Materials and contracts	125	33
Total expenses from continuing operations	167	60
Surplus (deficit) from continuing operations before capital amounts	11	(26)
Surplus (deficit) from continuing operations after capital amounts	11	(26)
Surplus (deficit) from all operations before tax	11	(26)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(3)	–
SURPLUS (DEFICIT) AFTER TAX	8	(26)
Plus accumulated surplus	(26)	–
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	3	–
Less:		
Closing accumulated surplus	(15)	(26)
Subsidy from Council	–	26

Income Statement – McMaugh Gardens

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	966	920
Fees	–	4
Interest	46	55
Grants and contributions provided for non-capital purposes	2,040	2,319
Other income	21	4
Total income from continuing operations	3,073	3,302
Expenses from continuing operations		
Employee benefits and on-costs	2,204	2,216
Borrowing costs	8	9
Materials and contracts	617	723
Depreciation, amortisation and impairment	222	206
Loss on sale of assets	210	–
Other expenses	38	50
Total expenses from continuing operations	3,299	3,204
Surplus (deficit) from continuing operations before capital amounts	(226)	98
Grants and contributions provided for capital purposes	130	370
Surplus (deficit) from continuing operations after capital amounts	(96)	468
Surplus (deficit) from all operations before tax	(96)	468
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(27)
SURPLUS (DEFICIT) AFTER TAX	(96)	441
Plus accumulated surplus	3,494	3,026
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	27
Closing accumulated surplus	3,398	3,494
Return on capital %	(4.9)%	2.5%
Subsidy from Council	257	–

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	91	298
Investments	2,300	2,200
Receivables	335	258
Total current assets	2,726	2,756
Non-current assets		
Infrastructure, property, plant and equipment	14,251	14,378
Total non-current assets	14,251	14,378
TOTAL ASSETS	16,977	17,134
NET ASSETS	16,977	17,134
EQUITY		
Accumulated surplus	8,019	8,299
Revaluation reserves	8,958	8,835
TOTAL EQUITY	16,977	17,134

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	11	240
Investments	2,400	2,000
Receivables	104	82
Total current assets	2,515	2,322
Non-current assets		
Infrastructure, property, plant and equipment	9,257	9,184
Total non-current assets	9,257	9,184
TOTAL ASSETS	11,772	11,506
NET ASSETS	11,772	11,506
EQUITY		
Accumulated surplus	6,049	5,846
Revaluation reserves	5,723	5,660
TOTAL EQUITY	11,772	11,506

Statement of Financial Position – Private works

as at 30 June 2020

	2020	2019
\$ '000	Category 2	Category 2
LIABILITIES		
Non-current liabilities		
Payables	15	26
Total non-current liabilities	15	26
TOTAL LIABILITIES	15	26
NET ASSETS	(15)	(26)
EQUITY		
Accumulated surplus	(15)	(26)
<u>TOTAL EQUITY</u>	(15)	(26)

Statement of Financial Position – McMaugh Gardens

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	75	43
Investments	2,500	2,700
Receivables	73	77
Total current assets	2,648	2,820
Non-current assets		
Infrastructure, property, plant and equipment	4,431	4,235
Total non-current assets	4,431	4,235
TOTAL ASSETS	7,079	7,055
LIABILITIES		
Current liabilities		
Payables	2,446	2,323
Total current liabilities	2,446	2,323
Non-current liabilities		
Payables	35	43
Total non-current liabilities	35	43
TOTAL LIABILITIES	2,481	2,366
NET ASSETS	4,598	4,689
EQUITY		
Accumulated surplus	3,398	3,494
Revaluation reserves	1,200	1,195
TOTAL EQUITY	4,598	4,689

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)

(a) McMaugh Gardens Aged Care Centre

Comprising the operations and net assets of the 36 bed aged care facility "McMaugh Gardens Aged Care Centre" in King Street, Uralla.

Category 2

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

(b) Uralla Shire Council Combined Water Supplies

Comprising the operations and net assets of the water supply systems servicing the towns of Uralla and Bundarra, each of which were established as separate Special Rate Funds.

(c) Uralla Shire Council Combined Sewerage Fund

Comprising the operations and net assets of the sewerage reticulation and treatment system servicing the town of Uralla and the treatment system that is to be constructed in Bundarra and which was established as a Special Rate Fund.

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

Note 1. Significant Accounting Policies (continued)

(d) Private Works

Comprising the private works operations of the Council which are carried out on behalf of independent third parties.

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of **2.0%** applies.

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

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

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

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

Income tax

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

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

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

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

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

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

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

Note 1. Significant Accounting Policies (continued)

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 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

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Uralla Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Special Schedules

for the year ended 30 June 2020

Contents

Page

Special Schedules

Permissible income for general rates

3

Report on Infrastructure Assets - Values

4

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	3,909	3,821
Plus or minus adjustments ²	b	—	6
Notional general income	$c = a + b$	3,909	3,827
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	$i = e \times (c + g)$	102	103
Sub-total	$k = (c + g + h + i + j)$	4,011	3,930
Plus (or minus) last year's carry forward total	l	21	2
Less valuation objections claimed in the previous year	m	—	(1)
Sub-total	$n = (l + m)$	21	1
Total permissible income	$o = k + n$	4,032	3,931
Less notional general income yield	p	4,025	3,909
Catch-up or (excess) result	$q = o - p$	7	22
Less unused catch-up ⁵	s	—	(1)
Carry forward to next year ⁶	$t = q + r + s$	7	21

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				Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council	2019/20 Required maintenance ^a	2019/20 Actual maintenance			1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000							
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	13	26	1,016	817	13,170	26,115	3.0%	16.4%	72.9%	7.6%	0.1%
	Sub-total	13	26	1,016	817	13,170	26,115	3.0%	16.4%	72.9%	7.6%	0.1%
Other structures	Other structures	–	–	–	–	373	1,316	33.2%	42.0%	24.3%	0.6%	0.0%
	Sub-total	–	–	–	–	373	1,316	33.2%	42.0%	24.3%	0.6%	0.0%
Roads	Sealed roads	5,901	10,394	1,045	583	82,944	114,737	62.4%	19.3%	6.0%	3.3%	9.1%
	Bulk earthworks	–	–	–	–	62,549	62,549	100.0%	0.0%	0.0%	0.0%	0.0%
	Bridges	–	–	95	42	26,954	40,944	38.0%	8.9%	45.9%	4.8%	2.4%
	Unsealed roads	86	173	1,092	1,120	5,612	17,170	0.0%	64.5%	18.3%	16.2%	1.0%
	Footpaths	–	–	80	40	1,342	1,764	12.4%	75.5%	12.0%	0.0%	0.0%
	Sub-total	5,987	10,567	2,312	1,785	179,401	237,164	63.2%	16.1%	12.2%	3.6%	4.9%
Water supply network	Water supply network	112	224	649	1,407	13,248	28,871	5.7%	58.4%	23.8%	11.4%	0.8%
	Sub-total	112	224	649	1,407	13,248	28,871	5.7%	58.4%	23.8%	11.4%	0.8%
Sewerage network	Sewerage network	–	–	235	240	7,991	14,043	25.4%	61.3%	1.2%	12.2%	0.0%
	Sub-total	–	–	235	240	7,991	14,043	25.4%	61.3%	1.2%	12.2%	0.0%
Stormwater drainage	Stormwater drainage	119	239	25	13	3,139	4,213	0.0%	78.2%	12.8%	3.3%	5.7%
	Sub-total	119	239	25	13	3,139	4,213	0.0%	78.2%	12.8%	3.3%	5.7%
Open space / recreational assets	Swimming pools	–	–	37	31	227	748	13.4%	0.0%	86.6%	0.0%	0.0%
	Other	–	–	17	10	1,511	1,779	49.2%	27.2%	23.6%	0.0%	0.0%
	Sub-total	–	–	54	41	1,738	2,527	38.6%	19.1%	42.3%	0.0%	0.0%
TOTAL - ALL ASSETS		6,231	11,056	4,291	4,303	219,060	314,249	50.0%	23.0%	18.2%	5.0%	3.8%

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

Infrastructure asset condition assessment 'key'

1 **Excellent/very good**
2 **Good**

No work required (normal maintenance)
Only minor maintenance work required

4 **Poor**
5 **Very poor**

Renewal required
Urgent renewal/upgrading required

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

3 **Satisfactory** Maintenance work required

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	4,856	121.80%	95.39%	63.39%	>=100.00%
Depreciation, amortisation and impairment	3,987				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	6,231	2.84%	1.34%	0.66%	<2.00%
Net carrying amount of infrastructure assets	219,060				
Asset maintenance ratio					
Actual asset maintenance	4,303	100.28%	90.43%	97.99%	>100.00%
Required asset maintenance	4,291				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	11,056	3.52%	1.76%	0.53%	
Gross replacement cost	314,249				

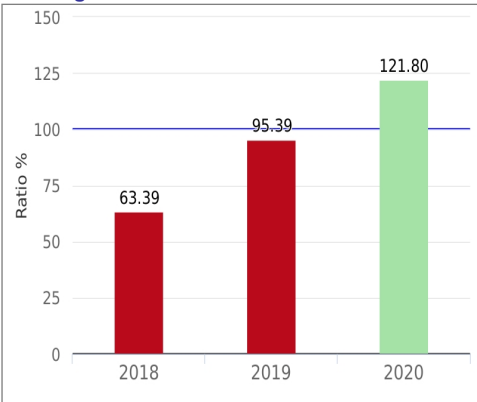
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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	121.80%
Ratio reflects the effect of greater levels of capital funding received this financial year by Council from State and Federal governments. It should be noted that this level of funding is stimulus response to drought and other emergencies, and is not expected to continue on an ongoing basis	

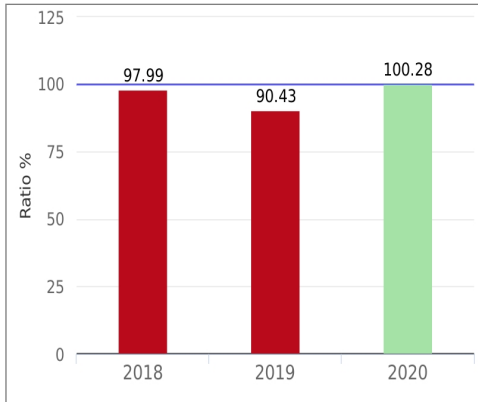
Benchmark: — $\geq 100.00\%$

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

Ratio achieves benchmark

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result	
19/20 ratio	100.28%
Although Council has achieved an average ratio above the OLG benchmark, a more suitable ratio would be actual maintenance against required maintenance (instead of budgeted maintenance).	

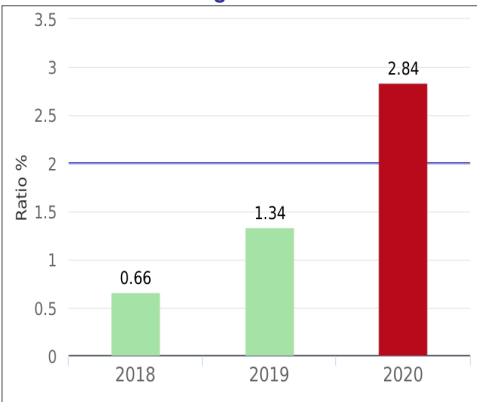
Benchmark: — $> 100.00\%$

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

Ratio achieves benchmark

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result	
19/20 ratio	2.84%
Council undertook an extensive revaluation of all road assets this year, resulting in condition assessments of assets which are more detailed and accurate than were previously available. The increase in this ratio is a reflection of the improved asset data available.	

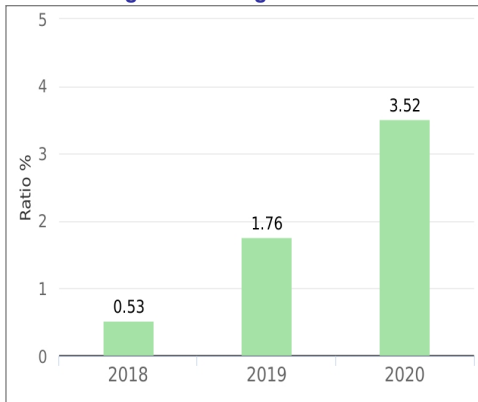
Benchmark: — $< 2.00\%$

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

Ratio achieves benchmark

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	3.52%
Council undertook an extensive revaluation of all road assets this year, resulting in condition assessments of assets which are more detailed and accurate than were previously available. The increase in this ratio is a reflection of the improved asset data available.	

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	144.91%	115.71%	0.00%	0.00%	0.00%	0.00%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	3.09%	1.38%	0.85%	1.00%	0.00%	1.00%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	77.96%	90.63%	216.80%	99.52%	102.13%	70.10%	>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	3.99%	1.88%	0.78%	0.95%	0.00%	1.17%	

(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.

7. Close of Extraordinary Meeting

END OF BUSINESS PAPER