

Kempsey Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

*Lead and work with our community to build an inspired,
connected Macleay Valley*



Kempsey Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

*Lead and work with our community to build an inspired,
connected Macleay Valley*



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

22 Tozer Street
WEST KEMPSEY NSW 2440

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.kempsey.nsw.gov.au.

Kempsey Shire Council

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

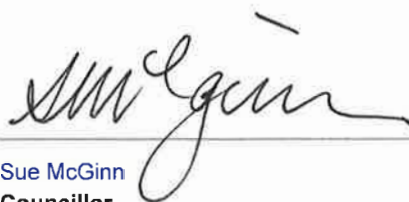
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

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



Elizabeth Campbell
Mayor
17 November 2020



Sue McGinn
Councillor
17 November 2020



Craig Milburn
General Manager
17 November 2020



Ron Wood
Responsible Accounting Officer
17 November 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020 \$ '000		Notes	Actual 2020 \$ '000	Restated Actual 2019^{1,2} \$ '000
	Income from continuing operations			
41,173	Rates and annual charges	3a	41,707	40,219
15,650	User charges and fees	3b	16,054	16,074
1,327	Other revenues	3c	1,574	1,209
12,388	Grants and contributions provided for operating purposes	3d,3e	14,772	11,146
13,464	Grants and contributions provided for capital purposes	3d,3e	14,671	9,950
1,407	Interest and investment income	4	1,059	1,576
85,409	Total income from continuing operations		89,837	80,174
	Expenses from continuing operations			
25,374	Employee benefits and on-costs	5a	25,572	22,934
2,747	Borrowing costs	5b	2,425	2,524
21,755	Materials and contracts	5c	19,603	16,763
26,776	Depreciation and amortisation	5d	26,702	26,624
4,699	Other expenses	5e	5,857	6,014
–	Net losses from the disposal of assets	6	3,085	7,815
81,351	Total expenses from continuing operations		83,244	82,674
4,058	Operating result from continuing operations		6,593	(2,500)
4,058	Net operating result for the year		6,593	(2,500)
4,058	Net operating result attributable to council		6,593	(2,500)
(9,406)	Net operating result for the year before grants and contributions provided for capital purposes		(8,078)	(12,450)

(1) See note 15(b) for details regarding restatement as a result of prior period error.

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

	Notes	Actual 2020 \$ '000	Restated Actual 2019^{1,2} \$ '000
Net operating result for the year (as per Income Statement)		6,593	(2,500)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	(13,160)	4,746
Total items which will not be reclassified subsequently to the operating result		(13,160)	4,746
Total other comprehensive income for the year		(13,160)	4,746
Total comprehensive income for the year		(6,567)	2,246
Total comprehensive income attributable to Council		(6,567)	2,246

(1) See note 15(b) for details regarding restatement as a result of prior period error.

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

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

Statement of Financial Position

as at 30 June 2020

	Notes	Actual 2020 \$ '000	Restated Actual 2019 ^{1,2} \$ '000	Restated Actual 1 July 2018 ¹ \$ '000
ASSETS				
Current assets				
Cash and cash equivalents	7(a)	18,083	10,272	18,647
Investments	7(b)	36,985	42,987	31,500
Receivables	8	9,713	9,876	8,083
Inventories	9a	507	484	525
Contract assets	11a	2,314	–	–
Other	9b	130	56	101
Total current assets		67,732	63,675	58,856
Non-current assets				
Receivables	8	106	369	379
Infrastructure, property, plant and equipment	10	1,082,309	1,094,812	1,100,131
Right of use assets	12a	81	–	–
Total non-current assets		1,082,496	1,095,181	1,100,510
Total assets		1,150,228	1,158,856	1,159,366
LIABILITIES				
Current liabilities				
Payables	13	6,365	4,979	5,863
Income received in advance	13	–	950	–
Contract liabilities	11b	3,149	–	–
Lease liabilities	12b	39	–	–
Borrowings	13	3,329	3,994	4,106
Provisions	14	7,158	6,681	6,801
Total current liabilities		20,040	16,604	16,770
Non-current liabilities				
Payables	13	446	676	670
Lease liabilities	12b	71	–	–
Borrowings	13	34,571	37,901	42,010
Provisions	14	2,094	1,829	316
Total non-current liabilities		37,182	40,406	42,996
Total liabilities		57,222	57,010	59,766
Net assets		1,093,006	1,101,846	1,099,600
EQUITY				
Accumulated surplus	15	463,238	458,918	461,418
Revaluation reserves	15	629,768	642,928	638,182
Council equity interest		1,093,006	1,101,846	1,099,600
Total equity		1,093,006	1,101,846	1,099,600

(1) See note 15(b) for details regarding restatement as a result of prior period error.

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	as at 30/06/20 ²			as at 30/06/19 ^{1,2}		
		Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance ¹		447,517	642,928	1,090,445	449,799	638,182	1,087,981
Correction of prior period errors	15b	11,401	–	11,401	11,619	–	11,619
Changes due to AASB 1058 and AASB 15 adoption	15	(2,273)	–	(2,273)	–	–	–
Restated opening balance		456,645	642,928	1,099,573	461,418	638,182	1,099,600
Net operating result for the year		6,593	–	6,593	(2,282)	–	(2,282)
Correction of prior period errors	15b	–	–	–	(218)	–	(218)
Restated net operating result for the period		6,593	–	6,593	(2,500)	–	(2,500)
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	(13,160)	(13,160)	–	4,746	4,746
Other comprehensive income		–	(13,160)	(13,160)	–	4,746	4,746
Total comprehensive income		6,593	(13,160)	(6,567)	(2,500)	4,746	2,246
Equity – balance at end of the reporting period		463,238	629,768	1,093,006	458,918	642,928	1,101,846

(1) See Note 15(b) for details regarding restatement as a result of prior period error.

(2) 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

<i>Original unaudited budget 2020 \$ '000</i>		Notes	<i>Actual 2020 \$ '000</i>	<i>Actual 2019 \$ '000</i>
Cash flows from operating activities				
Receipts:				
41,047	Rates and annual charges		41,834	40,109
15,518	User charges and fees		15,724	16,405
1,448	Investment and interest revenue received		1,125	1,493
28,815	Grants and contributions		26,322	16,793
–	Bonds, deposits and retention amounts received		132	–
1,331	Other		5,361	4,011
Payments:				
(25,374)	Employee benefits and on-costs		(25,077)	(22,759)
(23,439)	Materials and contracts		(23,834)	(22,918)
(2,513)	Borrowing costs		(2,361)	(2,457)
(4,699)	Other		(6,145)	(2,926)
32,134	Net cash provided (or used in) operating activities	16b	33,081	27,751
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		5,039	–
–	Sale of infrastructure, property, plant and equipment		241	1,214
–	Deferred debtors receipts		197	–
Payments:				
1,602	Purchase of investment securities		963	(11,487)
(49,186)	Purchase of infrastructure, property, plant and equipment		(27,621)	(21,540)
–	Deferred debtors and advances made		(80)	(92)
(47,584)	Net cash provided (or used in) investing activities		(21,261)	(31,905)
Cash flows from financing activities				
Receipts:				
10,000	Proceeds from borrowings and advances		–	–
Payments:				
(4,135)	Repayment of borrowings and advances		(3,995)	(4,221)
–	Lease liabilities (principal repayments)		(14)	–
5,865	Net cash flow provided (used in) financing activities		(4,009)	(4,221)
(9,585)	Net increase/(decrease) in cash and cash equivalents		7,811	(8,375)
–	Plus: cash and cash equivalents – beginning of year	16a	10,272	18,647
(9,585)	Cash and cash equivalents – end of the year	16a	18,083	10,272
–	plus: Investments on hand – end of year	7(b)	36,985	42,987
(9,585)	Total cash, cash equivalents and investments		55,068	53,259

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 17 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 asset 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.

COVID-19 impact

A significant event of the 2019-20 financial year that affected Council's operations, as reflected in the financial statements has been the novel coronavirus (COVID-19) pandemic.

On 19 March 2020, Council declared a business continuity event and formed a Business Continuity Team Committee to coordinate Council's response to the pandemic enabling Council's services to continue where possible and ensuring additional support for businesses and residents was available. The Committee oversaw the implementation measures to address public health order requirements including progressive closure of Council's major community facilities including Council's swimming pools, libraries and sports facilities.

A large proportion of council's indoor staff were required to work from home and other work health and safety procedures were introduced to ensure social distancing and the general wellbeing of staff, contractors and other stakeholders.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Reports have been made to the Ordinary Council meetings of 17 March, 21 April and 16 June 2020 outlining Council's response to the pandemic including updates on service provision, the financial impacts on the Kempsey Shire Council organisation and the relief measures implemented by Council to support the community.

Actions to support the community included amendments to Council's hardship policy, suspension of debt recovery actions and the waiver of some fees, charges and interest.

Initial estimates indicated decreased income in 2019-20 of \$1.1m mainly as a result of the closure of the Macleay Valley Coast Holiday Parks (~\$.8m), lower interest rate income due to waiving of interest (~\$.1m) and other revenues including lease income (rental relief assistance). While the value of the concessions was potentially significant, Council managed the cash flow shortfall by taking pre-emptive action to preserve and create additional liquidity.

Impact of COVID-19 on User charges and fees

There was no material impact on overall levels of user charges and fees as presented in Note 3.

Impact of COVID-19 on Rates and annual charges receivables

There has been no material impact on the collection of outstanding Rates and Annual Charges Receivables as presented in Note 8.

Going concern

Council has considered its updated Delivery Program and Operational Plan 2020 – 2024 and the key financial risks and uncertainties in assessing Council as a going concern including liquidity and working capital risk, credit risk, significant accounting judgements and key sources of estimate uncertainty.

Despite the impact of COVID-19 on the 2019/20 financial year, the continuation of some of the financial support concessions into the 2020/21 financial year, and the uncertain time required for some areas of Council's operations to fully recover from COVID-19, as at the date of preparing and signing Council's financial statements. Council conclude that using the going concern basis is appropriate in preparing its financial statements.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

Volunteer services

Council has immaterial dependance on volunteer services recieved and therefore does not recognise these contributions in the income statement.

Areas where volunteer services are utilised include Library services, Visitor Information Centres and Community events.

New accounting standards and interpretations issued not yet effective

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

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

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

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 ¹

*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).*

Functions or activities	<i>Income from continuing operations</i>		<i>Expenses from continuing operations</i>		<i>Operating result from continuing operations</i>		<i>Grants included in income from continuing operations</i>		<i>Carrying amount of assets</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>Restated \$ '000</i>	<i>\$ '000</i>	<i>Restated \$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>Restated \$ '000</i>
Governance	27,907	27,861	9,726	7,274	18,181	20,587	6,574	6,059	131,455	14,734
Healthy	43,260	37,935	41,247	41,838	2,013	(3,903)	3,175	1,839	404,223	426,434
Wealthy	12,727	12,632	24,828	27,230	(12,101)	(14,598)	4,013	1,580	548,642	626,666
Safe	3,410	1,285	2,793	2,518	617	(1,233)	3,338	1,231	–	27,648
Connected	2,533	461	4,650	3,814	(2,117)	(3,353)	2,477	402	65,908	63,374
Total functions and activities	89,837	80,174	83,244	82,674	6,593	(2,500)	19,577	11,111	1,150,228	1,158,856

(1) See note 15(b) for details regarding restatement as a result of prior period error.

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:

Governance

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, as well as financial and administrative services, human resources, public relations and information technology.

Healthy

Water, sewerage, strategic planning, development control, environmental control and projects, domestic waste management and rubbish tips, noxious weeds, ranger services, community services and lifestyle management, public cemeteries, sporting fields and pools, animal control, drainage and building control.

Wealthy

Roads, bridges, footpaths and cycleways, kerb and guttering, road and traffic signs, traffic facilities, bus shelters, quarries, caravan parks, saleyards, airport, library, tourism and economic development.

Safe

Bushfire and emergency services, community safety and crime prevention, flood plain mitigation and management, beach patrols and street lighting.

Connected

Cultural, aboriginal and youth services, art galleries, civic maintenance, community centres and community buildings, car parking, parks and reserves, boat ramps, wharves and jetties and public privies.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

	AASB	2020 Actual \$ '000	2019 Actual \$ '000
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	15,178	14,611
Farmland	1058 (1)	3,120	3,039
Business	1058 (1)	2,133	2,128
Less: pensioner rebates	1058 (1)	(711)	(696)
Rates levied to ratepayers		19,720	19,082
Pensioner rate subsidies received	1058 (1)	400	390
Total ordinary rates		20,120	19,472
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	4,718	4,687
Stormwater management services	1058 (1)	201	201
Water supply services	1058 (1)	4,748	4,472
Sewerage services	1058 (1)	11,353	10,877
Waste management services (non-domestic)	1058 (1)	435	430
Less: pensioner rebates (mandatory)	1058 (1)	(702)	(690)
On-site sewerage management charge	1058 (1)	440	383
Annual charges levied		21,193	20,360
Pensioner subsidies received:			
– Water	1058 (1)	154	150
– Sewerage	1058 (1)	114	118
– Domestic waste management	1058 (1)	126	119
Total annual charges		21,587	20,747
TOTAL RATES AND ANNUAL CHARGES		41,707	40,219

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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.

	AASB	2020 Actual \$ '000	2019 Actual \$ '000
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	7,470	7,206
Sewerage services	15 (2)	1,237	1,180
Waste management services (non-domestic)	15 (2)	1,975	1,881
Total specific user charges		10,682	10,267
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	15 (1)	8	82
Planning and building regulation	15 (1)	245	229
Private works – section 67	15 (2)	190	258
Regulatory/ statutory fees	15 (1)	262	249
Section 10.7 certificates (EP&A Act)	15 (1)	78	98
Section 603 certificates	15 (1)	61	57
Discretionary fees	15 (1)	–	2
Total fees and charges – statutory/regulatory		844	975
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (1)	85	10
Cemeteries	15 (1)	252	306
Lease rentals	15 (1)	32	–
Leaseback fees – Council vehicles	15 (1)	272	191
Library and art gallery	15 (1)	7	10
Saleyards	15 (1)	405	294
Sundry sales	15 (1)	8	9
Water connection fees	15 (1)	123	108
Caravan parks and camping grounds	15 (1)	2,860	3,491
Sewerage services	15 (1)	182	167
Water supply	15 (1)	130	36
Other	15 (1)	172	210
Total fees and charges – other		4,528	4,832
TOTAL USER CHARGES AND FEES		16,054	16,074

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

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

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

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

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

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

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

2019 accounting policy

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

	AASB	2020 Actual \$ '000	2019 Actual \$ '000
(c) Other revenues			
Rental income – other council properties		353	192
Fines – parking	1058 (1)	104	11
Fines – other	1058 (1)	4	3
Legal fees recovery – rates and charges (extra charges)	15 (1)	22	–
Commissions and agency fees	15 (1)	23	23
Diesel rebate	1058 (1)	125	–
Insurance claims recoveries		163	17
Recycling income (non-domestic)	15 (1)	160	15
Sales – general	1058 (1)	44	108
Long service leave contributions	15 (1)	34	167
OH&S incentive rebate	1058 (1)	120	76
Other	1058 (1)	422	597
TOTAL OTHER REVENUE		1,574	1,209

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	AASB	Operating 2020 Actual \$ '000	Operating 2019 Actual \$ '000	Capital 2020 Actual \$ '000	Capital 2019 Actual \$ '000
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance	1058 (1)	3,068	3,034	–	–
Payment in advance - future year allocation					
Financial assistance ¹	1058 (1)	3,252	3,146	–	–
Total general purpose		6,320	6,180	–	–
Specific purpose (tied)					
Water supplies	1058 (1)/1058 (2)	95	–	158	7
Sewerage services	1058 (2)	–	–	277	180
Bushfire and emergency services	1058(1)/105 8(2)	1,300	286	1,096	368
Economic development	1058 (1)/15 (2)	1,656	744	–	–
Employment and training programs	1058 (1)	31	–	–	–
Environmental programs	1058 (1)	77	55	4	–
Library	1058 (1)	26	28	–	–
Library – per capita	1058 (1)	64	55	–	–
LIRS subsidy	1058 (1)	92	109	–	–
Noxious weeds	1058 (1)	548	390	–	–
Public halls	1058 (2)	–	–	3	14
Recreation and culture	1058 (2)	–	72	4,130	1,195
Street lighting	1058 (1)	81	81	–	–
Transport (roads to recovery)	1058 (1)	745	–	–	–
Transport (other roads and bridges funding)	1058 (1)/1058 (2)	535	–	1,655	568
Community services	1058 (2)	318	274	105	289
Flood mitigation	1058 (1)	108	132	–	–
Waste levy	1058 (1)	71	71	–	–
Other	1058 (1)	82	13	–	–
Total specific purpose		5,829	2,310	7,428	2,621
Total grants		12,149	8,490	7,428	2,621
Grant revenue is attributable to:					
– Commonwealth funding		7,758	6,180	2,198	804
– State funding		4,391	2,310	5,230	1,817
		12,149	8,490	7,428	2,621

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”.

(1) \$3.252M of the 2020-2021 Financial Assistance Grant from State Government was received in June 2020 and therefore reported as 2019-2020 income although it relates to 2020-2021 financial year

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	AASB	Operating 2020 Actual \$ '000	Operating 2019 Actual \$ '000	Capital 2020 Actual \$ '000	Capital 2019 Actual \$ '000
Notes					
(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)	–	–	658	689
S 64 – water supply contributions	1058 (1)	–	–	802	783
S 64 – sewerage service contributions	1058 (1)	–	–	547	293
Total developer contributions – cash		–	–	2,007	1,765
Total developer contributions	24	–	–	2,007	1,765
Other contributions:					
Cash contributions					
Community services	1058 (1)	–	–	–	19
Kerb and gutter	1058 (1)	–	–	3	–
Recreation and culture	1058 (1)	–	–	–	236
Roads and bridges	1058 (1)	1	11	–	–
RMS contributions (regional roads, block grant)	1058 (1)/1058 (2)	2,474	2,422	1,562	1,259
Water supplies (excl. section 64 contributions)	1058 (1)	130	204	–	–
Other	1058 (1)	18	19	650	2
Total other contributions – cash		2,623	2,656	2,215	1,516
Non-cash contributions					
Drainage	1058 (1)	–	–	139	660
Kerb and gutter	1058 (1)	–	–	283	104
Roads and bridges	1058 (1)	–	–	1,255	2,525
Sewerage (excl. section 64 contributions)	1058 (1)	–	–	282	167
Water supplies (excl. section 64 contributions)	1058 (1)	–	–	852	575
Other	1058 (2)	–	–	–	–
Footpath	1058 (1)	–	–	210	–
Land Improvements	1058 (1)	–	–	–	17
Total other contributions – non-cash		–	–	3,021	4,048
Total other contributions		2,623	2,656	5,236	5,564
Total contributions		2,623	2,656	7,243	7,329
TOTAL GRANTS AND CONTRIBUTIONS		14,772	11,146	14,671	9,950

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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 milestones and completion of construction. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

	2020 Actual \$ '000	2019 Actual \$ '000
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	1,580	906
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	540
Add: operating grants received for the provision of goods and services in a future period	1,347	265
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(131)
Less: operating grants received in a previous reporting period now spent and recognised as income	(852)	–
Unexpended and held as externally restricted assets (operating grants)	2,075	1,580
Capital grants		
Unexpended at the close of the previous reporting period	1,541	1,146
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	870
Add: capital grants received for the provision of goods and services in a future period	2,443	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(475)
Less: capital grants received in a previous reporting period now spent and recognised as income	(659)	–
Unexpended and held as externally restricted assets (capital grants)	3,325	1,541
Contributions		
Unexpended at the close of the previous reporting period	9,719	7,944
Add: contributions recognised as income in the current period but not yet spent	2,187	1,893
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
Less: contributions recognised in a previous reporting period now spent	(184)	(118)
Unexpended and held as externally restricted assets (contributions)	11,722	9,719

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

	2020	2019
	Actual	Actual
	\$ '000	\$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	287	277
– Cash and investments	772	1,299
<u>Total Interest and investment income</u>	<u>1,059</u>	<u>1,576</u>

Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

	2020	2019
	Actual	Actual
	\$ '000	\$ '000
(a) Employee benefits and on-costs		
Salaries and wages	22,386	18,151
Travel expenses	39	18
Employee leave entitlements (ELE)	4,191	4,351
Superannuation	2,120	2,485
Workers' compensation insurance	685	979
Fringe benefit tax (FBT)	61	35
Payroll tax	193	256
Training costs (other than salaries and wages)	377	279
Protective clothing	85	82
Other	27	6
Total employee costs	30,164	26,642
Less: capitalised costs	(4,592)	(3,708)
TOTAL EMPLOYEE COSTS EXPENSED	25,572	22,934

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.

	2020	2019
	Actual	Actual
	\$ '000	\$ '000
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	2,216	2,433
Total interest bearing liability costs	2,216	2,433
Total interest bearing liability costs expensed	2,216	2,433
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
– Interest free (or favourable) loans and advances made by Council	80	91
Discount adjustments relating to movements in provisions (other than ELE)	129	–
Total other borrowing costs	209	91
TOTAL BORROWING COSTS EXPENSED	2,425	2,524

continued on next page ...

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	2020 Actual \$ '000	2019 Actual \$ '000
(c) Materials and contracts		
Raw materials and consumables	6,897	16,434
Contractor and consultancy costs ²	12,353	–
Auditors remuneration ¹	96	99
Legal expenses: planning and development	125	80
Legal expenses: debt recovery	–	82
Legal expenses: other	14	67
Expenses from short-term leases (2020 only)	77	–
Expenses from leases of low value assets (2020 only)	41	–
Other	–	1
Total materials and contracts	19,603	16,763
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>19,603</u>	<u>16,763</u>

Accounting policy for materials and contracts

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

1. Auditor remuneration

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

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

Audit and review of financial statements	96	99
Remuneration for audit and other assurance services	96	99
Total Auditor-General remuneration	96	99

(2) Comparative information for Contractor and Consultancy costs not available for 2018-19 due to changes in IT system. 2018-19 costs are included in Raw materials and consumables line above

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

		2020	2019
	Notes	Actual \$ '000	Restated Actual \$ '000
(d) Depreciation, amortisation and impairment of non-financial assets ¹			
Depreciation and amortisation			
Plant and equipment		1,422	1,514
Office equipment		234	245
Furniture and fittings		21	21
Land improvements (depreciable)		533	557
Infrastructure:	10		
– Buildings – non-specialised		1,155	1,150
– Buildings – specialised		839	845
– Roads		9,865	9,607
– Bridges		707	711
– Footpaths		575	559
– Stormwater drainage		1,267	1,233
– Water supply network		5,538	5,374
– Sewerage network		3,759	4,228
– Swimming pools		90	70
– Other open space/recreational assets		432	463
Right of use assets	12	43	–
Other assets:			
– Other		46	47
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	14,10	134	–
– Quarry assets	14,10	42	–
Total gross depreciation and amortisation costs		<u>26,702</u>	<u>26,624</u>
Total depreciation and amortisation costs		<u>26,702</u>	<u>26,624</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>26,702</u>	<u>26,624</u>

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

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

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

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

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

Note 5. Expenses from continuing operations (continued)

(1) See note 15(b) for details regarding restatement as a result of prior period error.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	2020	2019
	Actual	Actual
	\$ '000	\$ '000
(e) Other expenses		
Advertising	146	167
Bad and doubtful debts	472	250
Bank charges	98	79
Computer software charges	650	580
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	46	40
– NSW fire brigade levy	74	87
– NSW rural fire service levy	325	298
– Other contributions/levies	379	440
Councillor expenses – mayoral fee	46	43
Councillor expenses – councillors' fees	182	178
Councillors' expenses (incl. mayor) – other (excluding fees above)	4	23
Donations, contributions and assistance to other organisations (Section 356)	96	123
Electricity and heating	1,341	1,243
Insurance	920	824
Postage	41	66
Printing and stationery	80	136
Street lighting	454	676
Subscriptions and publications	52	69
Telephone and communications	277	352
Valuation fees	94	94
Other	80	246
Total other expenses	5,857	6,014
TOTAL OTHER EXPENSES	5,857	6,014

Accounting policy for other expenses

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

Note 6. Gain or loss from disposal of assets

	2020	2019
	Actual	Actual
	\$ '000	\$ '000
	Notes	
Property (excl. investment property)		
Proceeds from disposal – property	(2)	736
Less: carrying amount of property assets sold/written off	–	(510)
Net gain/(loss) on disposal	(2)	226
Plant and equipment		
	10	
Proceeds from disposal – plant and equipment	243	478
Less: carrying amount of plant and equipment assets sold/written off	(315)	(618)
Net gain/(loss) on disposal	(72)	(140)
Infrastructure		
	10	
Proceeds from disposal – infrastructure	–	–
Less: carrying amount of infrastructure assets sold/written off	(3,011)	(7,901)
Net gain/(loss) on disposal	(3,011)	(7,901)

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets (continued)

Notes	2020 Actual \$ '000	2019 Actual \$ '000
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS	(3,085)	(7,815)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

	2020 Actual \$ '000	2019 Actual \$ '000
Cash and cash equivalents		
Cash on hand and at bank	13,454	7,177
Cash-equivalent assets		
– Deposits at call	4,629	3,095
Total cash and cash equivalents	18,083	10,272

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
Investments				
Financial assets at amortised cost	35,933	–	41,939	–
'Financial assets at fair value through Profit & Loss	1,052	–	1,048	–
Total Investments	36,985	–	42,987	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	55,068	–	53,259	–
Financial assets at fair value through the profit and loss				
Managed funds	1,052	–	1,048	–
Total	1,052	–	1,048	–
Financial assets at amortised cost				
Long term deposits	35,933	–	41,939	–
Total	35,933	–	41,939	–

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)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

- 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 term deposits, trade and other receivables 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.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in Term Deposits and managed funds in the Statement of Financial Position.

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

	<i>2020</i> <i>Current</i> <i>Actual</i> <i>\$ '000</i>	<i>2020</i> <i>Non-current</i> <i>Actual</i> <i>\$ '000</i>	<i>2019</i> <i>Current</i> <i>Actual</i> <i>\$ '000</i>	<i>2019</i> <i>Non-current</i> <i>Actual</i> <i>\$ '000</i>
Total cash, cash equivalents and investments	55,068	–	53,259	–
attributable to:				
External restrictions	46,412	–	37,434	–
Internal restrictions	8,126	–	15,284	–
Unrestricted	530	–	541	–
	<u>55,068</u>	<u>–</u>	<u>53,259</u>	<u>–</u>

	<i>2020</i> <i>Actual</i> <i>\$ '000</i>	<i>2019</i> <i>Actual</i> <i>\$ '000</i>

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	4,961	–
Specific purpose unexpended loans – sewer	–	716
RMS advances	63	192
Specific purpose unexpended grants – sewer fund (2020 only)	376	–
External restrictions – included in liabilities	<u>5,400</u>	<u>908</u>

Notes to the Financial Statements

for the year ended 30 June 2020

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

	2020 Actual \$ '000	2019 Actual \$ '000
External restrictions – other		
Developer contributions – general	3,656	3,126
Developer contributions – water fund	5,180	4,298
Developer contributions – sewer fund	2,888	2,297
Specific purpose unexpended grants (recognised as revenue) – general fund	–	3,095
Specific purpose unexpended grants (recognised as revenue) – sewer fund	–	26
Water augmentation reserve	3,656	3,000
Water fleet reserve	1,946	1,946
Water tariff equalisation reserve	–	602
Water uncompleted works reserve	621	112
Sewerage augmentation reserve	9,831	7,223
Sewerage uncompleted works reserve	425	271
Domestic waste management	3,002	2,410
Contributions – ancillary works	38	37
On-site sewerage management reserve	473	315
Holiday Parks Reserve	5,963	5,452
Environmental Levy	2,839	2,316
Stormwater Levy	494	–
External restrictions – other	41,012	36,526
Total external restrictions	46,412	37,434
Internal restrictions		
Employees leave entitlement	–	1,500
Cemetery headstone restoration reserve	108	101
Cinema	–	1,348
Community projects reserve	–	657
Computer	–	96
Co-operative library computer	–	89
Corporate	3,252	3,145
General fleet	3,464	2,055
General fund uncompleted works reserve	1,302	3,732
Building Infrastructure	–	61
Insurance	–	89
Property sales	–	552
Road infrastructure	–	1,676
Joint Organisation Funds	–	25
Natural Resources Reserve	–	158
Total internal restrictions	8,126	15,284
TOTAL RESTRICTIONS	54,538	52,718

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

	<i>2020</i> <i>Current</i> <i>Actual</i> <i>\$ '000</i>	<i>2020</i> <i>Non-current</i> <i>Actual</i> <i>\$ '000</i>	<i>2019</i> <i>Current</i> <i>Actual</i> <i>\$ '000</i>	<i>2019</i> <i>Non-current</i> <i>Actual</i> <i>\$ '000</i>
Purpose				
Rates and annual charges	4,664	–	3,506	–
User charges and fees	3,289	–	3,628	–
Accrued revenues				
– Interest on investments	118	–	184	–
– Other income accruals	151	–	170	–
Deferred debtors	–	–	–	197
Government grants and subsidies	1,018	106	1,660	172
Net GST receivable	527	–	400	–
Private works (miscellaneous debtors)	–	–	474	–
RTA debtors	–	–	112	–
Total	9,767	106	10,134	369
Less: provision for impairment				
Other debtors	(54)	–	(258)	–
Total provision for impairment – receivables	(54)	–	(258)	–
TOTAL NET RECEIVABLES	9,713	106	9,876	369
Externally restricted receivables				
Water supply				
– Rates and availability charges	880	–	513	–
– Other	2,333	–	1,808	–
Sewerage services				
– Rates and availability charges	900	–	844	–
– Other	426	–	426	–
Domestic waste management	453	–	383	–
Total external restrictions	4,992	–	3,974	–
Unrestricted receivables	4,721	106	5,902	369
TOTAL NET RECEIVABLES	9,713	106	9,876	369

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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 3 years past due, whichever occurs first.

Receivables with a contractual amount of \$230,556 written off during the reporting period are still subject to enforcement activity

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

	<i>2020</i> <i>Current</i> <i>Actual</i> <i>\$ '000</i>	<i>2020</i> <i>Non-current</i> <i>Actual</i> <i>\$ '000</i>	<i>2019</i> <i>Current</i> <i>Actual</i> <i>\$ '000</i>	<i>2019</i> <i>Non-current</i> <i>Actual</i> <i>\$ '000</i>
(a) Inventories				
(i) Inventories at cost				
Stores and materials	507	–	484	–
Total inventories at cost	507	–	484	–
<u>TOTAL INVENTORIES</u>	<u>507</u>	<u>–</u>	<u>484</u>	<u>–</u>
(b) Other assets				
Prepayments	130	–	56	–
<u>TOTAL OTHER ASSETS</u>	<u>130</u>	<u>–</u>	<u>56</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 ²			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount Restated \$ '000	Accumulated depreciation Restated \$ '000	Net carrying amount Restated \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	7,840	–	7,840	6,102	3,021	–	–	(3,583)	–	–	13,380	–	13,380
Plant and equipment	16,499	(7,004)	9,495	1,037	–	(315)	(1,422)	–	–	–	16,729	(7,934)	8,795
Office equipment	3,022	(2,236)	786	104	–	–	(234)	–	–	–	3,126	(2,470)	656
Furniture and fittings	282	(186)	96	–	–	–	(21)	–	–	–	282	(207)	75
Land:													
– Crown land	27,059	–	27,059	–	–	–	–	–	–	–	27,059	–	27,059
– Operational land	21,578	–	21,578	–	–	–	–	–	–	–	21,578	–	21,578
– Community land	8,302	–	8,302	–	–	–	–	–	–	–	8,302	–	8,302
Land improvements – non-depreciable	20,650	–	20,650	–	303	–	–	–	–	–	20,953	–	20,953
Land improvements – depreciable	18,474	(6,155)	12,319	–	211	–	(533)	91	–	–	18,776	(6,688)	12,088
Infrastructure:													
– Buildings – non-specialised	37,498	(24,045)	13,453	829	301	(306)	(1,155)	913	–	–	37,902	(23,867)	14,035
– Buildings – specialised	24,917	(14,880)	10,037	475	710	(94)	(839)	242	–	–	26,010	(15,480)	10,530
– Roads	424,476	(149,467)	275,009	1,510	4,002	(986)	(9,865)	356	(36,833)	–	348,441	(115,248)	233,193
– Bridges	64,490	(26,637)	37,853	3,713	499	(270)	(707)	1,156	–	15,681	94,118	(36,193)	57,925
– Footpaths	27,364	(14,138)	13,226	532	15	(15)	(575)	275	–	300	24,748	(10,990)	13,758
– Bulk earthworks (non-depreciable)	243,729	–	243,729	550	483	(534)	–	–	(9,150)	–	235,078	–	235,078
– Stormwater drainage	123,781	(47,242)	76,539	474	334	(59)	(1,267)	–	–	13,974	134,559	(44,564)	89,995
– Water supply network	286,257	(91,292)	194,965	1,171	781	(466)	(5,538)	71	–	1,814	290,116	(97,318)	192,798
– Sewerage network	223,631	(110,405)	113,226	1,490	282	(257)	(3,759)	–	–	1,054	226,579	(114,543)	112,036
– Swimming pools	3,439	(2,238)	1,201	–	–	–	(90)	–	–	–	3,439	(2,328)	1,111
– Other open space/recreational assets	12,679	(6,853)	5,826	–	1,938	(25)	(432)	255	–	–	14,805	(7,243)	7,562
Other assets:													
– Other	1,302	(758)	544	–	–	–	(46)	–	–	–	1,302	(804)	498
Reinstatement, rehabilitation and restoration assets (refer Note 14):													
– Tip assets	801	–	801	–	–	–	(134)	–	–	–	801	(133)	668
– Quarry assets	278	–	278	–	–	–	(42)	–	–	–	278	(42)	236
Total Infrastructure, property, plant and equipment	1,598,348	(503,536)	1,094,812	17,987	12,880	(3,327)	(26,659)	(224)	(45,983)	32,823	1,568,361	(486,052)	1,082,309

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

(2) See note 15(b) for details regarding restatement as a result of prior period error.

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 ²			Asset movements during the reporting period							as at 30/06/19 ²		
	Gross carrying amount Restated \$ '000	Accumulated depreciation Restated \$ '000	Net carrying amount Restated \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount Restated \$ '000	Accumulated depreciation Restated \$ '000	Net carrying amount ² Restated \$ '000
Capital work in progress	13,579	–	13,579	5,442	2,117	–	–	(13,298)	–	–	7,840	–	7,840
Plant and equipment	19,847	(9,883)	9,964	1,665	–	(620)	(1,514)	–	–	–	16,499	(7,004)	9,495
Office equipment	2,976	(2,092)	884	147	–	–	(245)	–	–	–	3,022	(2,236)	786
Furniture and fittings	282	(165)	117	–	–	–	(21)	–	–	–	282	(186)	96
Land:													
– Operational land	21,675	–	21,675	–	–	(450)	–	10	343	–	21,578	–	21,578
– Community land	8,678	–	8,678	–	–	–	–	–	(376)	–	8,302	–	8,302
– Crown land	27,026	–	27,026	–	33	–	–	–	–	–	27,059	–	27,059
Land improvements – non-depreciable	20,650	–	20,650	–	–	–	–	–	–	–	20,650	–	20,650
Land improvements – depreciable	17,948	(5,607)	12,341	38	439	(46)	(557)	104	–	–	18,474	(6,155)	12,319
Infrastructure:													
– Buildings – non-specialised	42,207	(25,394)	16,813	20	80	(2)	(1,150)	–	(2,308)	–	37,498	(24,045)	13,453
– Buildings – specialised	20,151	(11,583)	8,568	–	7	(12)	(845)	25	2,294	–	24,917	(14,880)	10,037
– Roads	414,914	(139,515)	275,399	4,502	4,603	(6,779)	(9,607)	6,891	–	–	424,476	(149,467)	275,009
– Bridges	64,288	(26,109)	38,179	367	57	(70)	(711)	31	–	–	64,490	(26,637)	37,853
– Footpaths	25,196	(13,455)	11,741	158	171	(133)	(559)	1,848	–	–	27,364	(14,138)	13,226
– Bulk earthworks (non-depreciable)	242,382	–	242,382	–	1,230	–	–	117	–	–	243,729	–	243,729
– Stormwater drainage	122,748	(46,033)	76,715	70	674	(36)	(1,233)	349	–	–	123,781	(47,242)	76,539
– Water supply network	278,579	(85,280)	193,299	2,983	575	(326)	(5,374)	794	–	3,014	286,257	(91,292)	194,965
– Sewerage network	220,354	(105,628)	114,726	1,426	166	(537)	(4,228)	(59)	–	1,732	223,631	(110,405)	113,226
– Swimming pools	3,383	(2,134)	1,249	–	–	–	(70)	7	15	–	3,439	(2,238)	1,201
– Other open space/recreational assets	12,001	(6,447)	5,554	59	29	(18)	(463)	665	–	–	12,679	(6,853)	5,826
Other assets:													
– Other	1,304	(712)	592	–	–	–	(47)	–	(1)	–	1,302	(758)	544
Reinstatement, rehabilitation and restoration assets (refer Note 14):													
– Tip assets	–	–	–	–	801	–	–	–	–	–	801	–	801
– Quarry assets	–	–	–	–	278	–	–	–	–	–	278	–	278
Total Infrastructure, property, plant and equipment	1,580,168	(480,037)	1,100,131	16,877	11,260	(9,029)	(26,624)	(2,516)	(33)	4,746	1,598,348	(503,536)	1,094,812

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

(2) See Note 15(b) for details regarding restatement as a result of prior period error.

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	Buildings	Years
Office equipment	5 to 10	Buildings	5 to 80
Office furniture	4 to 10		
Computer equipment	3 to 10		
Vehicles	5 to 13		
Heavy plant/road making equipment	5 to 13		
Other plant and equipment	3 to 10		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Water mains	40 to 70	Flood mitigation systems	70 to 80
Sewer mains	40 to 70	Flood Drains	Infinite
Treatment works	15 to 100		
Pumps and telemetry	10 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 30	Bulk earthworks	Infinite
Sealed roads: structure	60 to 225	Swimming pools	30 to 50
Unsealed roads	7 to 90	Land improvements	10 to 100
Bridge	40 to 100	Other open space/recreational assets	25 to 100
Footpaths	40 to 85		

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

Land under roads

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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 15.

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".

Only land and building Rural Fire Service assets are recognised as assets of the Council in these financial statements.

Note 11. Contract assets and liabilities

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
(a) Contract assets		
Other	2,314	—
Total Contract assets	2,314	—

An annual assessment occurs for impairment losses on contract assets arising from Council's contracts with customers

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
(i) Externally restricted assets		
Externally restricted assets		
Water	160	—
Sewer	51	—
Total externally restricted assets	211	—
Total restricted assets	211	—
Total unrestricted assets	2,103	—
Total contract assets	2,314	—

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
Notes	\$ '000	\$ '000

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities (continued)

	Notes	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	2,500	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	649	–
Total grants received in advance		3,149	–
Total contract liabilities		3,149	–

Notes

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

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

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Sewer	376	–
Unspent grants held as contract liabilities (excl. Water & Sewer)	2,708	–
Contract liabilities relating to externally restricted assets	3,084	–
Total contract liabilities relating to restricted assets	3,084	–
Total contract liabilities relating to unrestricted assets	65	–
Total contract liabilities	3,149	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities (continued)

	2020
	Actual
	\$ '000
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	635
Operating grants (received prior to performance obligation being satisfied)	664
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	1,299

Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases

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

(i) Council as a lessee

Council has leases over land and buildings. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Buildings

Council leases storage sheds and general office space. The leases are for 12 months with options to renew for a further 12 months.

Extension options

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

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

There are no in potential future lease payments which are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

	<i>Infrastructure</i>		
	<i>Specialised Buildings</i>	<i>Non-Specialised Buildings</i>	
	<i>Actual</i>	<i>Actual</i>	<i>Total Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>

(a) Right of use assets

Adoption of AASB 16 at 1 July 2019 – first time lease recognition	47	52	99
Additions to right-of-use assets	25	–	25
Depreciation charge	4	39	43
RIGHT OF USE ASSETS	68	13	81

	<i>2020 Current Actual</i>	<i>2020 Non-current Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>

(b) Lease liabilities

Lease liabilities	39	71
TOTAL LEASE LIABILITIES	39	71

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:

	<i>< 1 year Actual \$ '000</i>	<i>1 – 5 years Actual \$ '000</i>	<i>> 5 years Actual \$ '000</i>	<i>Total Actual \$ '000</i>	<i>Total per Statement of Financial Position Actual \$ '000</i>
Cash flows	48	122	16	186	110

	<i>2020 Current Actual \$ '000</i>	<i>2020 Non-current Actual \$ '000</i>

(ii) Lease liabilities relating to restricted assets**Externally restricted assets**

Water	13	29
Sewer	3	42
Lease liabilities relating to externally restricted assets	16	71
Total lease liabilities relating to restricted assets	16	71
Total lease liabilities relating to unrestricted assets	23	–
<u>Total lease liabilities</u>	<u>39</u>	<u>71</u>

	<i>2020 Actual \$ '000</i>

(c) Income Statement

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

Depreciation of right of use assets	43
Expenses relating to short-term leases	77
Expenses relating to low-value leases	41
	161

(d) Statement of Cash Flows

Total cash outflow for leases	132
	132

Leases at significantly below market value – concessionary / peppercorn leases

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

- crown land leases

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

- Pensioner Hall carpark

The leases are generally between 5 and 99 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

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

Refer to Note 5c.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
Payables				
Goods and services – operating expenditure	3,143	446	2,998	676
Accrued expenses:				
– Borrowings	188	–	204	–
– Salaries and wages	244	–	244	–
– Other expenditure accruals	598	–	437	–
Advances	2	–	193	–
Security bonds, deposits and retentions	886	–	754	–
Prepaid rates	1,285	–	–	–
Other	19	–	149	–
Total payables	6,365	446	4,979	676
Income received in advance (2019 only)				
Payments received in advance	–	–	950	–
Total income received in advance	–	–	950	–
Borrowings				
Loans – secured ¹	3,329	34,571	3,968	37,901
Government advances	–	–	26	–
Total borrowings	3,329	34,571	3,994	37,901
TOTAL PAYABLES AND BORROWINGS	9,694	35,017	9,923	38,577

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

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

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	1,360	16,729	1,739	17,993
Sewer	1,354	15,017	1,286	16,290
Other	63	–	192	–
Tourist parks	–	–	26	–
Payables and borrowings relating to externally restricted assets	2,777	31,746	3,243	34,283
Total payables and borrowings relating to restricted assets	2,777	31,746	3,243	34,283
Total payables and borrowings relating to unrestricted assets	6,917	3,271	6,680	4,294

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

TOTAL PAYABLES AND BORROWINGS	9,694	35,017	9,923	38,577
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	2020	2019
	Actual	Actual
	\$ '000	\$ '000

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

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

Payables – security bonds, deposits and retentions	748	637
Total payables and borrowings	748	637

(c) Changes in liabilities arising from financing activities

	<i>as at 30/06/19</i>		<i>Non-cash changes</i>				<i>as at 30/06/20</i>
	<i>Opening Balance \$ '000</i>	<i>Cash flows \$ '000</i>	<i>Acquisition \$ '000</i>	<i>Fair value changes \$ '000</i>	<i>Acquisition due to change in accounting policy \$ '000</i>	<i>Other non-cash movement \$ '000</i>	<i>Closing balance \$ '000</i>
Loans – secured	41,869	(3,969)	–	–	–	–	37,900
Government advances	26	(26)	–	–	–	–	–
Lease liabilities	–	(15)	–	–	125	–	110
TOTAL	41,895	(4,010)	–	–	125	–	38,010

	<i>as at 30/06/18</i>		<i>Non-cash changes</i>			<i>as at 30/06/19</i>
	<i>Opening Balance \$ '000</i>	<i>Cash flows \$ '000</i>	<i>Acquisition \$ '000</i>	<i>Fair value changes \$ '000</i>	<i>Other non-cash movement \$ '000</i>	<i>Closing balance \$ '000</i>
Loans – secured	46,064	(4,195)	–	–	–	41,869
Government advances	52	(26)	–	–	–	26
TOTAL	46,116	(4,221)	–	–	–	41,895

	2020	2019
	Actual	Actual
	\$ '000	\$ '000

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

Credit cards/purchase cards	250	130
Total financing arrangements	250	130

Undrawn facilities as at balance date:

– Credit cards/purchase cards	248	91
Total undrawn financing arrangements	248	91

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

Additional financing arrangements information

Breaches and defaults

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

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.

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
Provisions				
Employee benefits				
Annual leave	2,125	–	1,924	–
Sick leave	933	–	1,011	–
Long service leave	4,100	886	3,746	750
Sub-total – aggregate employee benefits	7,158	886	6,681	750
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	1,208	–	1,079
Sub-total – asset remediation/restoration	–	1,208	–	1,079
TOTAL PROVISIONS	7,158	2,094	6,681	1,829
(a) Provisions relating to restricted assets				
Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	7,158	2,094	6,681	1,829
TOTAL PROVISIONS	7,158	2,094	6,681	1,829

	2020 Actual \$ '000	2019 Actual \$ '000
(b) Current provisions not anticipated to be settled within the next twelve months		
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,885	4,254
	3,885	4,254

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

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

Provisions – employees benefits	3,885	4,254
	3,885	4,254

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

The Asset Remediation Provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the council tip and quarry as a result of past operations.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

Restoration

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Nature of prior-period error

The revaluation of the transport assets in the 19/20 year has discovered previously omitted Road, Bridge, Footpath and Bulk Earthwork infrastructure assets. The assets have now been recognised and have an impact of increasing the value of Infrastructure, Property, Plant and Equipment at:

- 1 July 2018 by \$11,619,000 (Roads by \$5,986,000, Bridges by \$215,000, Footpaths by \$825,000 and Bulk Earthworks by \$4,593,000).
- 30 June 2019 by \$11,401,000 (Roads by \$5,832,000, Bridges by \$164,000, Footpaths by \$812,000 and Bulk Earthworks by \$4,593,000).

At 30 June 2019 there was an increase in depreciation expense of \$218,000 which was recognised in the income statement. The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to accumulated surplus at that date. Comparatives have been changed to reflect the correction errors. The impact on each line item are shown in the table below.

Changes to the opening Statement of Financial Position at 1 July 2018**Statement of Financial Position**

	<i>Original Balance 1 July, 2018 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 1 July, 2018 \$ '000</i>
Infrastructure, property, plant & equipment	1,088,512	11,619	1,100,131
Total assets	1,147,747	11,619	1,159,366
Total liabilities	59,766	–	59,766
Net assets	1,087,981	11,619	1,099,600
Accumulated Surplus	449,799	11,619	461,418
Total equity	1,087,981	11,619	1,099,600

Adjustments to the comparative figures for the year ended 30 June 2019**Statement of Financial Position**

	<i>Original Balance 30 June, 2019 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June, 2019 \$ '000</i>
Infrastructure, property, plant & equipment	1,083,411	11,401	1,094,812
Total assets	1,147,455	11,401	1,158,856
Net assets	1,090,445	11,401	1,101,846
Accumulated Surplus	447,517	11,401	458,918
Total equity	1,090,445	11,401	1,101,846

Notes to the Financial Statements

for the year ended 30 June 2020

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

Income Statement

	<i>Original Balance 30 June, 2019 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June, 2019 \$ '000</i>
Depreciation and amortisation	26,406	218	26,624
Total expenses from continuing operations	82,456	218	82,674
Net operating result for the year	(2,282)	(218)	(2,500)

Statement of Comprehensive Income

	<i>Original Balance 30 June, 2019 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June, 2019 \$ '000</i>
Net operating result for the year	(2,282)	(218)	(2,500)
Total comprehensive income for the year	2,464	(218)	2,246

(c) 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:

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

Statement of Financial Position

(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.

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)**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. These amendments include:

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

\$ '000	Balance at 1 July 2019 Actual
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	2,273
Total Contract liabilities	2,273

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058 Actual	Reclassific- ation Actual	Remeasur-e ment Actual	Carrying amount under previous revenue standards Actual	Notes Actual
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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	<i>Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058 Actual</i>	<i>Reclassific- ation Actual</i>	<i>Remeasur-e ment Actual</i>	<i>Carrying amount under previous revenue standards Actual</i>	<i>Notes Actual</i>
Current assets					
Receivables	9,713	2,314	–	12,027	(i)
Contract assets	2,314	(2,314)	–	–	(i)
Total current assets	67,732	–	–	67,732	
Current liabilities					
Contract liabilities	3,149	–	(3,149)	–	(ii)
Total current liabilities	20,040	–	(3,149)	16,891	
Net assets	1,093,092	–	3,149	1,096,241	
Equity					
Accumulated surplus	463,238	–	3,149	466,387	(ii)
Council equity interest	1,093,006	–	3,149	1,096,155	
Total equity	1,093,006	–	3,149	1,096,155	

(i) Transfer of the contract asset to receivables, which arises under AASB 1058 for grant funds receivable to construct a recognisable non-financial asset to be controlled by Council. The grant funds are received after Council has spent funds.

(ii) Elimination of contract liability which arises under AASB 1058 for grant funds received to construct a recognisable non-financial asset to be controlled by Council which have been received prior to the benefits of the asset being received by Council.

Income Statement

\$ '000	<i>Income Statement and comprehen- sive income under AASB 15 and AASB 1058 Actual</i>	<i>Reclassific- ation Actual</i>	<i>Remeasur- ement Actual</i>	<i>Income Statement and comprehen- sive income under previous revenue standards Actual</i>	<i>Notes Actual</i>
Income from continuing operations					
Grants and contributions provided for operating purposes	14,772	–	649	15,421	(iii)
Grants and contributions provided for capital purposes	14,671	–	2,500	17,171	(iii)
Total Income from continuing operations	89,837	–	3,149	92,986	
Total Operating result from continuing operations	6,593	–	3,149	9,742	
Net operating result for the year	6,593	–	3,149	9,742	
Total comprehensive income	(6,567)	–	–	(6,567)	

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019 ¹	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	1,158,856	–	1,158,856
Contract liabilities	–	2,273	2,273
Total liabilities	57,010	2,273	59,283
Accumulated surplus	458,918	(2,273)	456,645
Total equity	1,101,846	(2,273)	1,099,573

(1) See Note 15 (b) for details regarding restatement as a result of prior period error

(iii) AASB 16 Leases

Council as a lessee

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

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

Practical expedients used on transition

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

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

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$99,000 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 0.9%.

**Balance at
1 July 2019**

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	<i>Actual</i>
Operating lease commitments at 30 June 2019 per Council financial statements	–
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Contracts not accounted for as operating lease commitments last year	99
Lease liabilities recognised at 1 July 2019	99

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

Statement of Financial Position

\$ '000	<i>Original Balance 1 July, 2019</i> ¹	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 1 July, 2019</i>
Rights-of-use assets	–	99	99
Total assets	1,158,856	99	1,158,955
Leases	–	99	99
Total liabilities	57,010	99	57,109
Accumulated surplus	458,918	–	458,918
Total equity	1,101,846	–	1,101,846

(1) See Note 15 (b) for details regarding restatement as a result of prior period error

Nature of changes in accounting policies**Changes in accounting estimates- reassessment of asset useful lives.**

As at 30 June 2020, Council reassessed the useful lives of transport assets as part of a comprehensive revaluation. This reassessment aligns transport asset useful lives with current asset management practices.

The reassessment of useful lives impacts future reporting periods and will reduce depreciation expense and increase the operating result by approximately \$3.2m respectively.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Statement of cash flow information

		2020	2019 ¹
	Notes	Actual \$ '000	Restated Actual \$ '000
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	18,083	10,272
Balance as per the Statement of Cash Flows		18,083	10,272
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		6,593	(2,500)
Adjust for non-cash items:			
Depreciation and amortisation		26,702	26,624
Net losses/(gains) on disposal of assets		3,085	7,815
Non-cash capital grants and contributions		(3,021)	(4,048)
Adoption of AASB 15/1058		(2,273)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Interest-free advances made by Council (deferred debtors)		80	91
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		433	(1,081)
Increase/(decrease) in provision for impairment of receivables		(204)	249
Decrease/(increase) in inventories		(23)	41
Decrease/(increase) in other current assets		(74)	45
Decrease/(increase) in contract assets		(2,314)	–
Increase/(decrease) in payables		(85)	(664)
Increase/(decrease) in accrued interest payable		(16)	(24)
Increase/(decrease) in other accrued expenses payable		161	–
Increase/(decrease) in other liabilities		146	(190)
Increase/(decrease) in contract liabilities		3,149	–
Increase/(decrease) in provision for employee benefits		613	314
Increase/(decrease) in other provisions		129	1,079
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		33,081	27,751
(c) Non-cash investing and financing activities			
Developer dedicated assets		3,021	4,048
Total non-cash investing and financing activities		3,021	4,048

(1) See Note 15(b) for details regarding restatement as a result of prior period error.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Commitments

	2020	2019
	Actual	Actual
	\$ '000	\$ '000
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		
Office Equipment	21	374
Land Improvements	46	1,137
Building - Non-Specialised	25	564
Building - Specialised	2,033	676
Bridges	587	2,961
Total commitments	2,712	5,712

Details of capital commitments

Capital expenditure commitments relate to Roses and Turners Flat Bridges, Holiday Park amenities and cabins, and amenities buildings at Clyde Street Kempsey, Frederickton, Blackbird Flat and Crescent Head Pool.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. 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**

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 payment is available.

Council participates in a defined benefits superannuation scheme called the the Local Government Superannuation Scheme – Pool B (Scheme). Pooled Employers from a sub-group of the Scheme with over 170 employers supporting over 8,700 employees and ex-employees.

The Scheme is considered to be a defined benefit multi-employer plan 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.

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

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

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

There is no provision for allocation of any surplus which may be present at the date of withdrawal on an employer.

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%

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

Vested Benefits	1,757.5	96.5%
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* excluding member accounts and reserves in both assets and liabilities.

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

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. Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Fund's Actuary, the final end of year review will be completed around November/December 2020.

The implications are that additional contributions are estimated to remain in place until 30 June 2022.

It is estimated that Council's level of participation in the Scheme compared with other participating Pooled Employers is approximately 0.45%.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities**(i) Third party claims**

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

(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 30/6/2008.

(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) Mid North Coast Co-Op Library

Council together with other local government authorities have entered into an agreement to operate a regional library known as the Mid North Coast Co-Op Library. Annually, the Council contributes to the library to fund its activities based upon a prescribed formula. In the event that Council wishes to withdraw from the agreement, the assets and liabilities of the Regional Library attributable to Council will be determined by the Library Board of New South Wales.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. 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.

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

	<i>Carrying value</i> <i>2020</i> <i>\$ '000</i>	<i>Carrying value</i> <i>2019</i> <i>\$ '000</i>	<i>Fair value</i> <i>2020</i> <i>\$ '000</i>	<i>Fair value</i> <i>2019</i> <i>\$ '000</i>
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	18,083	10,272	18,083	10,272
Receivables	9,819	10,245	9,819	10,245
Investments				
– 'Financial assets at amortised cost'	35,933	41,939	35,933	41,939
- 'Financial assets at fair value through Profit & Loss	1,052	1,048	1,052	1,048
Total financial assets	64,887	63,504	64,887	63,504
Financial liabilities				
Payables	6,811	5,655	6,811	5,655
Loans/advances	37,900	41,895	53,335	52,723
Lease liabilities	110	–	110	–
Total financial liabilities	44,821	47,550	60,256	58,378

Fair value is determined as follows:

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
 - **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
 - **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.
- Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

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

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

	<i>Increase of values/rates</i>		<i>Decrease of values/rates</i>	
	<i>Profit \$ '000</i>	<i>Equity \$ '000</i>	<i>Profit \$ '000</i>	<i>Equity \$ '000</i>
2020				
Possible impact of a 1% movement in interest rates	551	551	(551)	(551)
2019				
Possible impact of a 1% movement in interest rates	533	533	(533)	(533)

(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 other than Council has significant credit risk exposures in its local area given the nature of the business.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

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

Credit risk profile

Receivables – rates and annual charges

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

	<i>Not yet overdue \$ '000</i>	<i>< 1 year overdue \$ '000</i>	<i>1 - 2 years overdue \$ '000</i>	<i>2 - 5 years overdue \$ '000</i>	<i>> 5 years overdue \$ '000</i>	<i>Total \$ '000</i>
2020						
Gross carrying amount	–	4,664	–	–	–	4,664
2019						
Gross carrying amount	–	2,556	–	–	–	2,556

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.

	<i>Not yet overdue \$ '000</i>	<i>0 - 30 days overdue \$ '000</i>	<i>31 - 60 days overdue \$ '000</i>	<i>61 - 90 days overdue \$ '000</i>	<i>> 91 days overdue \$ '000</i>	<i>Total \$ '000</i>
2020						
Gross carrying amount	4,429	439	107	35	199	5,209
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2019						
Gross carrying amount	4,589	411	1,117	74	806	6,997
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

Payables, lease liabilities and borrowings are 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.

	<i>Weighted average interest rate %</i>	<i>Subject to no maturity \$ '000</i>	<i>payable in: ≤ 1 Year \$ '000</i>	<i>1 - 5 Years \$ '000</i>	<i>> 5 Years \$ '000</i>	<i>Total contractu al cash outflows \$ '000</i>	<i>Actual carrying values \$ '000</i>
2020							

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

	<i>Weighted average interest rate %</i>	<i>Subject to no maturity \$ '000</i>	<i>≤ 1 Year \$ '000</i>	<i>payable in:</i>		<i>Total contractu al cash outflows \$ '000</i>	<i>Actual carrying values \$ '000</i>
				<i>1 - 5 Years \$ '000</i>	<i>> 5 Years \$ '000</i>		
Trade/other payables	0.00%	886	3,746	446	–	5,078	5,526
Loans and advances	5.50%	–	5,344	19,309	26,263	50,916	37,900
Total financial liabilities		886	9,090	19,755	26,263	55,994	43,426
2019							
Trade/other payables	0.00%	754	4,979	676	–	6,409	5,655
Loans and advances	5.51%	–	6,225	20,475	30,440	57,140	41,895
Total financial liabilities		754	11,204	21,151	30,440	63,549	47,550

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. 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 <i>Budget</i>	2020 <i>Actual</i>	2020 <i>Variance</i>		
REVENUES					
Rates and annual charges	41,173	41,707	534	1%	F
User charges and fees	15,650	16,054	404	3%	F
Other revenues	1,327	1,574	247	19%	F
Largely relates to increase in revenue from parking fines due to a greater focus by Rangers during the year and Insurance Claims recovered which are not included in the original budget.					
Operating grants and contributions	12,388	14,772	2,384	19%	F
Operating budgets are variable year on year and are often confirmed during the financial year after budget adoption. The 2019/20- actual operating grants include unbudgeted Bushfire Resilience and Recovery grants of \$792k, noxious weeds grants of \$473k, grants associated with bushfires including Section 44 and emergency management \$338k.					
Capital grants and contributions	13,464	14,671	1,207	9%	F
Capital grants and contributions are also variable year on year. Actual figures include unbudgeted Bushfire Resilience and Recovery grants totalling \$875k with the remainder relating to various grants received for roading works.					
Interest and investment revenue	1,407	1,059	(348)	(25)%	U
Interest revenue is lower than budget due to lower than anticipated investment interest rates used to develop original budget with rates dropping for Council's weighted average return from 2.3% in July 2019 to 1.36% in June 2020.					
EXPENSES					
Employee benefits and on-costs	25,374	25,572	(198)	(1)%	U
Borrowing costs	2,747	2,425	322	12%	F
Original Budget included a loan borrowing program which was not utilised which is reflected in lower than budgeted borrowing costs.					
Materials and contracts	21,755	19,603	2,152	10%	F
Below budget expenditure relates to:					
<ul style="list-style-type: none"> • strategic planning and crown lands plans of management projects of \$350,000 which have been rescheduled to be completed in 20-21, • electricity costs of \$300,000 and software licence costs of \$350,000 which were budgeted under materials but should have been under Other Expenses, • Tip voucher expenditure of \$230,000 which was incorrectly included as materials when it should have been an internal transaction, • and approximately \$700,000 relating to a refinement of roading programs. 					
Depreciation and amortisation	26,776	26,702	74	0%	F

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Material budget variations (continued)

\$ '000	2020 <i>Budget</i>	2020 <i>Actual</i>	2020 <i>Variance</i>	
Other expenses	4,699	5,857	(1,158)	(25)% U

Above budget expenditure relates to:

- Bad & Doubtful Debts of \$470,000 written off during the year which were not budgeted for,
- electricity costs of \$300,000 and software licences of \$350,000 where the budget was allocated to materials in the original budget,
- higher than budgeted insurance costs of \$150,000.

Net losses from disposal of assets	-	3,085	(3,085)	∞ U
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Relates to the write off of Infrastructure as a result of asset renewal works. General Fund \$2,356,000 of which \$1,800,000 relates to Transport Infrastructure, Water assets \$466,000 and Sewer assets \$259,000

STATEMENT OF CASH FLOWS

Cash flows from operating activities	32,134	33,081	947	3% F
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Cash flows from investing activities	(47,584)	(21,261)	26,323	(55)% F
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Council used less cash in the purchase of infrastructure, property, plant and equipment than budgeted due to program of works being revised which to align with available resources and competing timeframes.

Cash flows from financing activities	5,865	(4,009)	(9,874)	(168)% U
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Although this appears as an unfavourable variance, the lower levels of capital expenditure compared to budget in the current year meant Council did not take out the additional loans budgeted to do these works.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement

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

- Financial assets
- 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).

The table below shows the assigned level for each asset and liability held at fair value by Council.

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
	30/06/2020	–	1,052	–	1,052
Total financial assets		–	1,052	–	1,052
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/20	–	–	8,795	8,795
Office equipment	30/06/20	–	–	656	656
Furniture and fittings	30/06/20	–	–	75	75
Operational land	30/06/18	–	–	21,578	21,578
Community land	30/06/16	–	–	8,302	8,302
Land Improvements – non depreciable	30/06/16	–	–	20,953	20,953
Land Improvements – depreciable	30/06/16	–	–	12,088	12,088
Buildings – non specialised	30/06/18	–	–	14,035	14,035
Buildings – specialised	30/06/18	–	–	10,530	10,530
Roads, bridges, footpaths, bulk earthwork ¹	30/06/20	–	–	539,954	539,954
Stormwater drainage	30/06/20	–	–	89,995	89,995
Water supply network	01/07/16	–	–	192,798	192,798
Crown Land	30/06/20	–	–	27,059	27,059
Sewerage network	01/07/16	–	–	112,036	112,036
Swimming pools	30/06/18	–	–	1,111	1,111
Other open space/recreational assets	30/06/18	–	–	7,562	7,562
Other	30/06/18	–	–	498	498
Tip Assets	30/06/19	–	–	668	668
Quarry assets	30/06/19	–	–	236	236
Total infrastructure, property, plant and equipment		–	–	1,068,929	1,068,929

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

		<i>Date of latest valuation</i>	<i>Level 1 Quoted prices in active mkts</i>	<i>Level 2 Significant observable inputs</i>	<i>Level 3 Significant unobservable inputs</i>	<i>Total ¹ Restated</i>
2019						
<i>Date of latest valuation</i>	<i>Level 1 Quoted prices in active mkts</i>	<i>Level 2 Significant observable inputs</i>	<i>Level 3 Significant unobservable inputs</i>	<i>Total ¹ Restated</i>		
Recurring fair value measurements						
Financial assets						
Investments						
– ‘Held for trading’	30/06/19	–	1,048	–		1,048
Total financial assets		–	1,048	–		1,048
Infrastructure, property, plant and equipment						
Plant and equipment	30/06/19	–	–	9,495		9,495
Office equipment	30/06/19	–	–	786		786
Furniture and fittings	30/06/19	–	–	96		96
Operational land	30/06/18	–	–	21,578		21,578
Community land	30/06/16	–	–	8,302		8,302
Land Improvements – non depreciable	30/06/16	–	–	20,650		20,650
Land Improvements – depreciable	30/06/16	–	–	12,319		12,319
Buildings – non specialised	30/06/18	–	–	13,453		13,453
Buildings – specialised	30/06/18	–	–	10,037		10,037
Roads, bridges, footpaths, bulk earthwork ¹	30/06/15	–	–	569,817		569,817
Stormwater drainage	30/06/15	–	–	76,539		76,539
Water supply network	01/07/16	–	–	194,965		194,965
Crown Land	30/06/16	–	–	27,059		27,059
Sewerage network	01/07/16	–	–	113,226		113,226
Swimming pools	30/06/18	–	–	1,201		1,201
Other open space/recreational assets	30/06/16	–	–	5,826		5,826
Other	30/06/18	–	–	544		544
Tip Assets	30/06/19	–	–	801		801
Quarry assets	30/06/19	–	–	278		278
Total infrastructure, property, plant and equipment		–	–	1,086,972		1,086,972

(1) See Note 15(b) for details regarding restatement as a result of prior period error

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

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

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

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

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

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

	<i>Plant and equipment</i>	<i>Office equipment</i>	<i>Furniture and fittings</i>	<i>Operational land</i>	<i>Community Land</i>
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

	<i>Plant and equipment Actual \$ '000</i>	<i>Office equipment Actual \$ '000</i>	<i>Furniture and fittings Actual \$ '000</i>	<i>Operational land Actual \$ '000</i>	<i>Community Land Actual \$ '000</i>
	<i>Actual \$ '000</i>	<i>Actual \$ '000</i>	<i>Actual \$ '000</i>	<i>Actual \$ '000</i>	<i>Actual \$ '000</i>
2019					
Opening balance	9,964	884	117	21,675	8,678
Transfers from/(to) another asset class	–	–	–	343	(376)
Purchases (GBV)	1,665	147	–	10	–
Disposals (WDV)	(620)	–	–	(450)	–
Depreciation and impairment	(1,514)	(245)	(21)	–	–
Closing balance	9,495	786	96	21,578	8,302
2020					
Opening balance	9,495	786	96	21,578	8,302
Purchases (GBV)	1,037	104	–	–	–
Disposals (WDV)	(315)	–	–	–	–
Depreciation and impairment	(1,422)	(234)	(21)	–	–
Closing balance	8,795	656	75	21,578	8,302
	<i>Land improvement non-depr Actual \$ '000</i>	<i>Land improvement depr Actual \$ '000</i>	<i>Buildings non specialised Actual \$ '000</i>	<i>Building specialised Actual \$ '000</i>	<i>Roads bridges footpaths earthworks ¹ Restated Actual \$ '000</i>
2019					
Opening balance	20,650	12,341	16,813	8,568	567,701
Transfers from/(to) another asset class	–	–	(2,308)	2,294	–
Purchases (GBV)	–	581	100	32	19,975
Disposals (WDV)	–	(46)	(2)	(12)	(6,982)
Depreciation and impairment	–	(557)	(1,150)	(845)	(10,877)
Closing balance	20,650	12,319	13,453	10,037	569,817
2020					
Opening balance	20,650	12,319	13,453	10,037	569,817
Purchases (GBV)	303	302	2,043	1,426	13,091
Disposals (WDV)	–	–	(306)	(94)	(1,805)
Depreciation and impairment	–	(533)	(1,155)	(839)	(11,147)
FV gains – other comprehensive income	–	–	–	–	(30,002)
Closing balance	20,953	12,088	14,035	10,530	539,954

(1) See Note 15(b) for details regarding restatement as a result of prior period error

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

	<i>Stormwater drainage Actual \$ '000</i>	<i>Water supply network Actual \$ '000</i>	<i>Sewerage network Actual \$ '000</i>	<i>Other Actual \$ '000</i>	<i>Swimming pools Actual \$ '000</i>
2019					
Opening balance	76,715	193,299	114,726	592	1,249
Transfers from/(to) another asset class	–	–	–	(1)	15
Purchases (GBV)	1,093	4,352	1,533	–	7
Disposals (WDV)	(36)	(326)	(537)	–	–
Depreciation and impairment	(1,233)	(5,374)	(4,228)	(47)	(70)
FV gains – other comprehensive income	–	3,014	1,732	–	–
Closing balance	76,539	194,965	113,226	544	1,201
2020					
Opening balance	76,539	194,965	113,226	544	1,201
Purchases (GBV)	808	2,023	1,772	–	–
Disposals (WDV)	(59)	(466)	(257)	–	–
Depreciation and impairment	(1,267)	(5,538)	(3,759)	(46)	(90)
FV gains – other comprehensive income	13,974	1,814	1,054	–	–
Closing balance	89,995	192,798	112,036	498	1,111
	<i>Open space/recreati onal Actual \$ '000</i>	<i>Crown Land Actual \$ '000</i>	<i>Tip assets Actual \$ '000</i>	<i>Quarry Assets Actual \$ '000</i>	<i>Total Actual \$ '000</i>
2019					
Opening balance	5,554	27,026	–	–	1,086,552
Transfers from/(to) another asset class	–	–	–	–	(33)
Purchases (GBV)	753	33	801	278	31,360
Disposals (WDV)	(18)	–	–	–	(9,029)
Depreciation and impairment	(463)	–	–	–	(26,624)
FV gains – other comprehensive income	–	–	–	–	4,746
Closing balance	5,826	27,059	801	278	1,086,972
2020					
Opening balance	5,826	27,059	801	278	1,086,972
Purchases (GBV)	2,193	–	–	–	25,102
Disposals (WDV)	(25)	–	–	–	(3,327)
Depreciation and impairment	(432)	–	(133)	(42)	(26,658)
FV gains – other comprehensive income	–	–	–	–	(13,160)
Closing balance	7,562	27,059	668	236	1,068,929

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

There were no transfers into and out of the level 3 fair valuation hierarchy.

c. The valuation process for level 3 fair value measurements

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

Property, plant and equipment, furniture and fittings incorporates:

Major plant
Fleet vehicles
Minor plant
Furniture and fittings
Office equipment

All are disclosed at fair value in the notes. Council assumes that 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 include:

- Pattern of consumption
- Useful life
- Asset Condition
- Residual Value

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

Operational land

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

Operational Land was revalued by an external valuer at 30 June 2018 using Level 3 inputs.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer.

This is not necessarily the market selling price of the asset rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account the current market price in an active and liquid market of the same or similar asset.

The unobservable Level 3 inputs used include:

- Rate per square Metre

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

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, dedication under Section 7.11 of the Environmental Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land. Community land has been split into Community Land owned by Council and Crown Land that is managed by Council.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management for it.

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

The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for the revaluation of community land under clause 31 of AASB 116.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

Council fair values community land using unobservable Level 3 inputs based on inputs on either the UCV (Unimproved Capital Value) provided by the Valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the Valuer General did not provide a UCV.

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

Land improvements – non depreciable and depreciable

Council's Land Improvements incorporates fencing, landscaping, earthworks and playgrounds.

Council carries fair values of land serves using the following unobservable Level 3 inputs:

- Gross replacement cost
- Asset condition
- Non Depreciable
- Remaining useful life

Land improvements were valued at Fair value. There has been no change to the valuation process during the reporting period.

Buildings – non-specialised and specialised

Council Buildings include libraries, public amenities, sporting club houses, depot buildings, workshops, community centres, rural fire service buildings and tourist caravan parks.

Valuations are carried out by an external valuer using the cost approach. This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking into account a range of factors. Buildings are physically inspected and values are provided based on extensive professional judgement, condition and consumption rates.

As such these assets are classified as having being valued using the following unobservable Level 3 inputs:

- Consumption rate
- Future Economic Benefits
- Condition
- Useful life of an asset

Council's buildings were revalued by an external valuer on 30 June 2018.

Roads, water and sewer networks.

This asset class comprises the Roads, Bridges, Car Parks, Kerb & Guttering, Footpaths, Cycleways together with Water and Sewerage Networks.

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. Valuations for the road, comprising surface, pavement, and formation were based on calculations carried out in 2015 utilising an internal engineering expertise utilising asset data sourced from pavement management survey and staff assessments. Water and Sewerage infrastructure was revalued at 1 July 2016 utilising a mix of internal engineering expertise and the use of external specialist valuers.

Council fair values road infrastructure using unobservable Level 3 inputs at a component level. Council fair values kerb and guttering and footpaths using unobservable Level 3 inputs at a non-componentised level.

The 'Cost Approach' is used to value these assets by componentising the assets into significant parts and then rolling up these component values to provide an overall valuation for each significant assets (e.g. road, water treatment facility, dam, pump station, sewer treatment plant) within Council's Asset System. Kerb and guttering, footpaths, water mains and sewers are also valued using the "Cost Approach" however this is done on a non componentised basis.

The level of componentisation adopted by Council is in accordance with AASB 116 and OLG Circular 09-09.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual Value
- Asset condition

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

- Remaining useful life
- Current replacement cost

Stormwater Drainage

Council's Drainage Assets comprises pits, pipes, culverts, open channels, headwalls and flood mitigation levees, drains and gate structures.

Council carries fair values drainage assets using unobservable Level 3 inputs which include:

- Pattern of Consumption
- Asset condition
- Residual value
- Current replacement cost

The 'Cost Approach' is used to value drainage assets. There has been no change to the valuation during the reporting period.

Other assets, swimming pools and other open space/recreational assets

Council's Other Assets includes powerheads, waste systems, water tanks, landfill lids and recycling facilities.

Council carries fair values of Other Assets using Level 3 inputs. The unobservable Level 3 inputs include:

- Pattern of Consumption
- Asset condition
- Residual value
- Current replacement cost

The 'Cost Approach' is used to value other assets. There has been no change to the valuation process during the reporting period.

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. 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:

	<i>2020</i>	<i>2019</i>
	<i>\$ '000</i>	<i>\$ '000</i>
Compensation:		
Short-term benefits	1,015	979
Post-employment benefits	67	64
Other long-term benefits	30	20
Total	1,112	1,063

(b) Other transactions with KMP and their related parties

Transactions of a minor/immaterial nature were made to companies associated with Council's KMP. The transactions related to:

- Maintenance work at Civic Centre
- Award recognition and Australia Day medals

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Events occurring after the reporting date

Council has disclosed the impact that COVID-19 has had on operations, and financial reporting for the year ended 30 June 2020 at Note 1. COVID-19 is ongoing, however, it is not practical to estimate the potential impact, positive or negative, after 30 June 2020.

There are no other known events occurring after the reporting date that would have a significant effect on the financial report

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			as at 30/06/20				
	Opening Balance \$ '000	Contributions received during the year		Interest earned in year \$ '000	Expenditure during year \$ '000	Internal borrowing (to)/from \$ '000	Held as restricted asset \$ '000	Cumulative internal borrowings due/(payable) \$ '000
		Cash \$ '000	Non-cash \$ '000					
Drainage	30	–	–	1	–	–	31	–
Roads	1,335	176	–	24	–	–	1,535	–
Parking	37	12	–	1	–	–	50	–
Community facilities	284	21	–	5	–	–	310	–
SWR plan	1,236	373	–	21	(176)	–	1,454	–
Public domain	127	42	–	3	–	–	172	–
Administration	76	34	–	1	(8)	–	103	–
S7.11 contributions – under a plan	3,125	658	–	56	(184)	–	3,655	–
Total S7.11 and S7.12 revenue under plans	3,125	658	–	56	(184)	–	3,655	–
S64 contributions	6,596	1,349	–	124	–	–	8,069	–
Total contributions	9,721	2,007	–	180	(184)	–	11,724	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 1

Drainage	30	–	–	1	–	–	31	–
Roads	1,335	176	–	24	–	–	1,535	–
Parking	37	12	–	1	–	–	50	–
Community facilities	284	21	–	5	–	–	310	–

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Statement of developer contributions (continued)

	<i>as at 30/06/19</i>			<i>as at 30/06/20</i>				
	<i>Opening Balance</i>	<i>Contributions received during the year</i>		<i>Interest earned in year</i>	<i>Expenditure during year</i>	<i>Internal borrowing (to)/from</i>	<i>Held as restricted asset</i>	<i>Cumulative internal borrowings due/(payable)</i>
		<i>Cash</i>	<i>Non-cash</i>					
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
SWR plan	1,236	373	–	21	(176)	–	1,454	–
Public domain	127	42	–	3	–	–	172	–
Administration	76	34	–	1	(8)	–	103	–
Total	3,125	658	–	56	(184)	–	3,655	–

S64 contributions

S64 contributions

Water	4,299	802	–	79	–	–	5,180	–
Sewerage	2,297	547	–	44	–	–	2,888	–
Total	6,596	1,349	–	123	–	–	8,068	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund

	General ¹ 2020 \$ '000	Water 2020 \$ '000	Sewer 2020 \$ '000
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	25,059	4,662	11,303
User charges and fees	5,996	8,191	1,364
Interest and investment revenue	598	238	223
Other revenues	1,395	85	94
Grants and contributions provided for operating purposes	14,279	379	114
Grants and contributions provided for capital purposes	11,752	1,812	1,107
Total income from continuing operations	59,079	15,367	14,205
Expenses from continuing operations			
Employee benefits and on-costs	19,945	2,757	2,870
Borrowing costs	411	1,066	948
Materials and contracts	13,865	2,211	2,342
Depreciation and amortisation	17,304	5,601	3,797
Other expenses	2,148	1,996	1,713
Net losses from the disposal of assets	2,362	466	257
Calculated Taxation Equivalents	–	–	–
Total expenses from continuing operations	56,035	14,097	11,927
Operating result from continuing operations	3,044	1,270	2,278
Net operating result for the year	3,044	1,270	2,278
Net operating result attributable to each council fund	3,044	1,270	2,278
Net operating result for the year before grants and contributions provided for capital purposes	(8,708)	(542)	1,171

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.

	General ¹ 2020 \$ '000	Water 2020 \$ '000	Sewer 2020 \$ '000
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	10,280	3,598	4,205
Investments	19,864	7,806	9,315
Receivables	5,174	3,213	1,326
Inventories	507	–	–
Contract assets	2,314	–	–
Other	130	–	–
Total current assets	38,269	14,617	14,846
Non-current assets			

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund (continued)

	<i>General</i> ¹ 2020 \$ '000	<i>Water</i> 2020 \$ '000	<i>Sewer</i> 2020 \$ '000
Receivables	106	–	–
Infrastructure, property, plant and equipment	766,601	198,006	117,702
Right of use assets	81	–	–
Total non-current assets	766,788	198,006	117,702
TOTAL ASSETS	805,057	212,623	132,548
LIABILITIES			
Current liabilities			
Payables	6,189	96	80
Contract liabilities	2,773	–	376
Lease liabilities	39	–	–
Borrowings	791	1,264	1,274
Provisions	7,158	–	–
Total current liabilities	16,950	1,360	1,730
Non-current liabilities			
Payables	446	–	–
Lease liabilities	71	–	–
Borrowings	2,825	16,729	15,017
Provisions	2,094	–	–
Total non-current liabilities	5,436	16,729	15,017
TOTAL LIABILITIES	22,386	18,089	16,747
Net assets	782,671	194,534	115,801
EQUITY			
Accumulated surplus	354,384	59,377	49,477
Revaluation reserves	428,287	135,157	66,324
Council equity interest	782,671	194,534	115,801
Total equity	782,671	194,534	115,801

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.

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

	<i>Amounts</i> 2020	<i>Indicator</i> 2020	<i>Prior periods</i>		<i>Benchmark</i>
	<i>Actual</i>	<i>Actual</i>	<i>2019</i> ³ <i>Restated</i> <i>Actual</i>	<i>2018</i> <i>Actual</i>	
\$ '000					
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(4,993)	(6.64)%	(6.60)%	3.06%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	75,166				

Notes to the Financial Statements

for the year ended 30 June 2020

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

	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019 ³	2018	
\$ '000	Actual	Actual	Restated Actual	Actual	
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	60,394	67.23%	73.69%	37.34%	>60.00%
Total continuing operating revenue ¹	89,837				
3. Unrestricted current ratio					
Current assets less all external restrictions	16,117	1.69x	2.63x	2.51x	>1.50x
Current liabilities less specific purpose liabilities	9,530				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	24,134	3.75x	3.63x	4.35x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	6,434				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	4,664	10.25%	8.16%	6.10%	<10.00%
Rates, annual and extra charges collectible	45,522				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	55,068	10.76	11.33	11.03	>3.00
Monthly payments from cash flow of operating and financing activities	5,119	mths	mths	mths	mths

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

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

(3) The 2019 Ratios have been restated as a result of prior period errors. Refer to Note 15(b) for details.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General Indicators		Water Indicators		Sewer Indicators		Benchmark
	2020	2019 ³	2020	2019 ³	2020	2019 ³	
	Actual	Restated Actual	Actual	Restated Actual	Actual	Restated Actual	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(12.77)%	(7.33)%	(0.56)%	(9.13)%	10.90%	(0.63)%	>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	57.64%	65.75%	85.74%	87.75%	91.40%	94.14%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.69x	2.63x	5.74x	4.59x	5.38x	6.83x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7.22x	7.74x	2.43x	1.94x	2.86x	2.42x	>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	10.23%	8.09%	17.00%	10.51%	7.41%	7.35%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.49	10.88	14.11	12.05	17.82	13.68	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

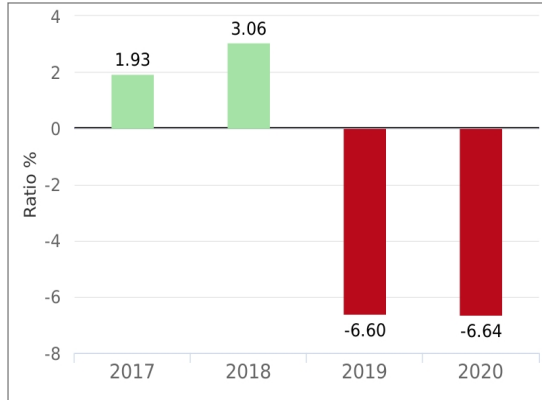
(3) The 2019 Ratios have been restated as a result of prior period errors. Refer Note 15(b) for details.

(1) - (2) Refer to Notes at Note 25a above.

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 (6.64)%

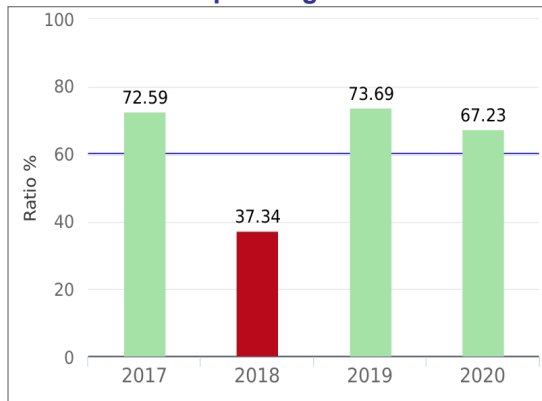
This ratio measures how well Council contained operating expenditure within operating revenue. Council's consolidated ratio is below the benchmark. Respective fund ratios are General Fund -12.77%, Water Fund -0.56%, Sewer Fund 10.9%

Benchmark: — > 0.00%

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

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

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 67.23%

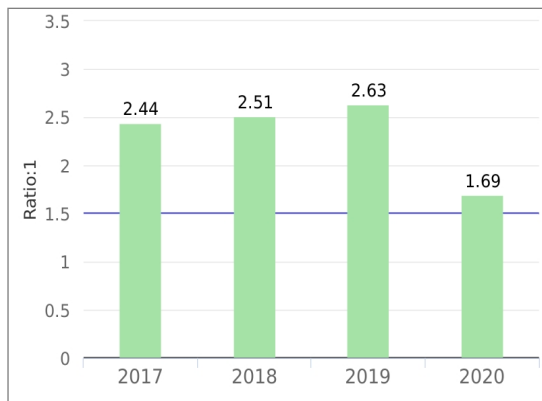
Council's ratio is above the benchmark. Fluctuations in the ratio from year to year are reflective of the variation in the value of grants and contributions received by Council.

Benchmark: — > 60.00%

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

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

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 1.69x

The ratio of 1.69 means that Council has \$1.69 in liquidity for every \$1.00 in current liabilities. The ratio reflects Council's strong short term position.

Benchmark: — > 1.50x

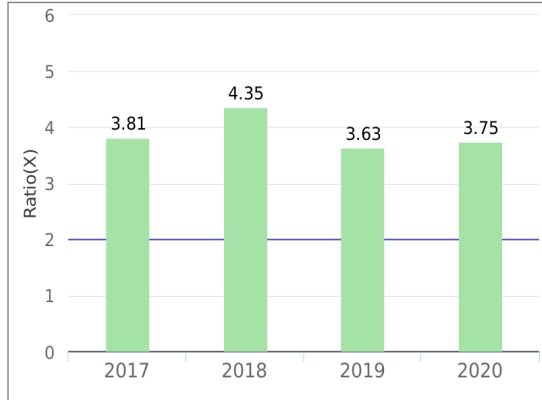
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 3.75x

An above benchmark result for 19/20 indicates less reliance on borrowings to fund infrastructure renewal programs,

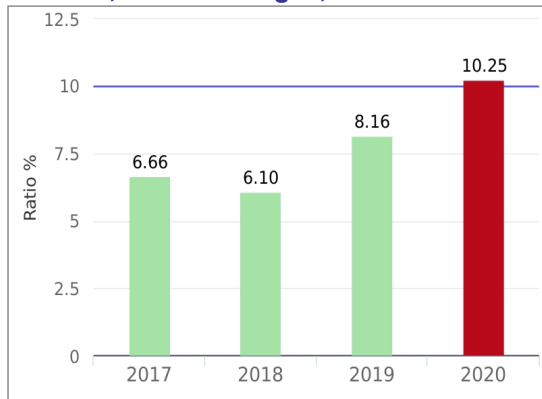
Benchmark: — > 2.00x

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 10.25%

Council is just above the 10% benchmark for revenue collections still outstanding.

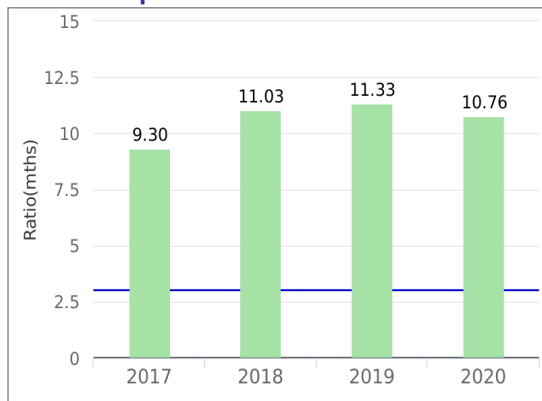
Benchmark: — < 10.00%

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 10.76 mths

Council's ratio is above benchmark and is indicative of the strong short term financial position of Council.

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:

22 Tozer Street
WEST KEMPSEY NSW 2440

Contact details

Mailing Address:

P O Box 3078
WEST KEMPSEY NSW 2440

Opening hours:

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

Telephone: 02 6566 3200

Facsimile: 02 6566 3205

Internet: www.kempsey.nsw.gov.au

Email: ksc@council.nsw.gov.au

Officers

General Manager

Craig Milburn

Elected members

Mayor

Elizabeth Campbell

Responsible Accounting Officer

Ron Wood

Other information

ABN: 70 705 618 663



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Kempsey Shire Council

To the Councillors of Kempsey Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

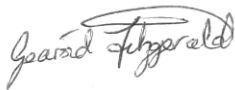
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

24 November 2020
SYDNEY



Cr Liz Campbell
 Mayor
 Kempsey Shire Council
 PO Box 78
 WEST KEMPSEY NSW 2440

Contact: Gearoid Fitzgerald
 Phone no: 9275 7392
 Our ref: D/1746

24 November 2020

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2020 \$m	2019* \$m	Variance %
Rates and annual charges revenue	41.7	40.2	↑ 3.7
Grants and contributions revenue	29.4	21.1	↑ 39.3
Operating result from continuing operations	6.6	(2.5)	↑ 364.0
Net operating result before capital grants and contributions	(8.1)	(12.5)	↑ 35.2

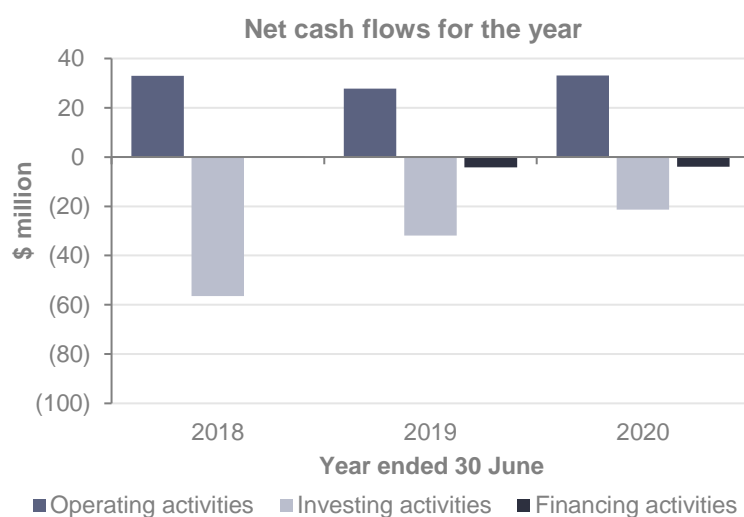
* The 2019 comparatives have been restated to correct a prior period error. Note 15 to the financial statements provides details of the prior period error.

The Council's operating result from continuing operations (\$6.6 million including depreciation and amortisation expense of \$26.7 million) was \$9.1 million higher than the 2018–19 result. This increase is largely attributable to the following:

- Rates and annual charges revenue (\$41.7 million) increasing by \$1.5 million (3.7 per cent).
- Grants and contributions revenue (\$29.4 million) increasing by \$8.3 million (39.3 per cent) due to:
 - \$1.7 million in bushfire / emergency services operating and capital grants to assist with recovery from the significant bushfire event in November 2019
 - \$2.9 million in recreation and culture capital grants (including for the Stuarts Point Foreshore Upgrade project)
 - \$2.4 million in transport operating and capital grants (including for the Turners Flat Bridge replacement project)
- Employee benefits and on-costs expense (\$25.6 million) increasing by \$2.6 million (11.5 per cent).
- Materials and contracts expense (\$19.6 million) increasing by \$2.8 million (16.9 per cent).
- Net losses from the disposal of assets expense (\$3.1 million) decreasing by \$4.7 million (60.5 per cent).

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$5.3 million. This was largely due to an increase in rates and annual charges, grants and contributions and other revenues, off-set by an increase in employee benefits and on-costs, materials and contracts and other expenses.
- Net cash used in investing activities decreased by \$10.6 million comprising a capital expenditure increase of \$6.1 million together with a cash inflow arising from the sale of investment securities of \$5.0 million.
- Net cash used in financing activities decreased by \$0.2 million due to the continued repayment of existing borrowings and no new borrowings during the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	46.4	37.4	• Externally restricted cash and investments increased by \$9.0 million largely due to unexpended grants held at the end of the financial year and the collection of developer contributions.
Internal restrictions	8.1	15.3	
Unrestricted	0.5	0.5	

Cash and investments	55.0	53.2
-----------------------------	-------------	-------------

- Internally restricted cash and investments decreased by \$7.2 million. Council resolved to utilise these reserves to fund capital projects whilst negotiations for borrowings were being undertaken. Council intends to replenish these reserves in the 2021 financial year when the loans have been approved.
- Unrestricted balances provide liquidity for day-to-day operations

PERFORMANCE

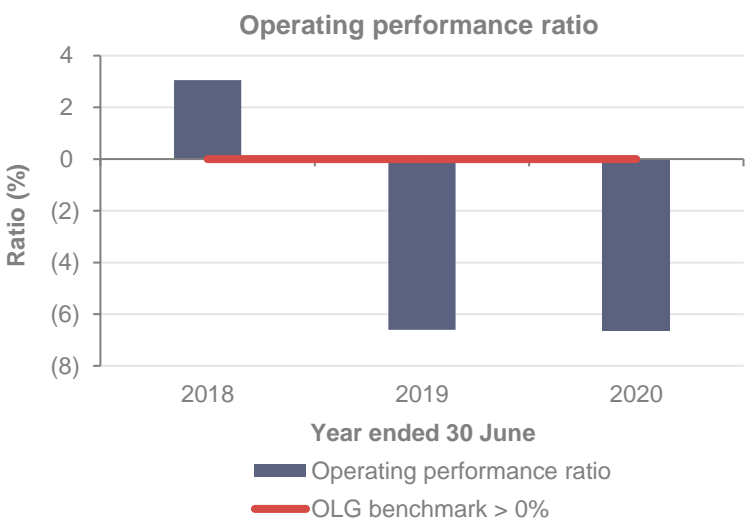
Performance measures

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

Operating performance ratio

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

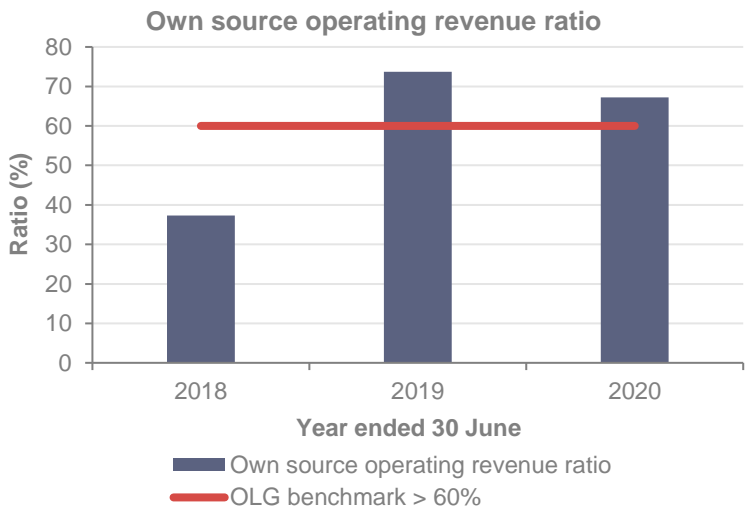
The Council did not meet the OLG benchmark for the current reporting period.



Own source operating revenue ratio

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

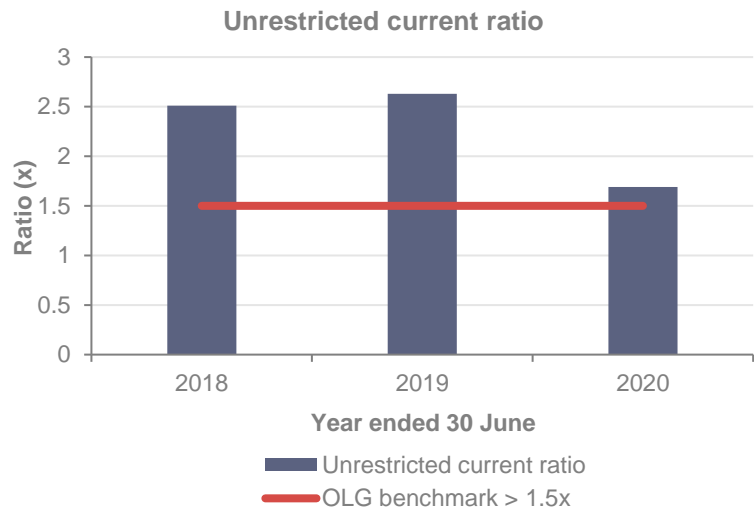
The Council met the OLG benchmark for the current reporting period and it has remained relatively stable when compared to the prior year. The 2017-18 ratio was impacted by one-off non-cash dedications from the RMS totalling \$66.0 million. Without this contribution the ratio would have been consistent with 2019 and 2020 years.



Unrestricted current ratio

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

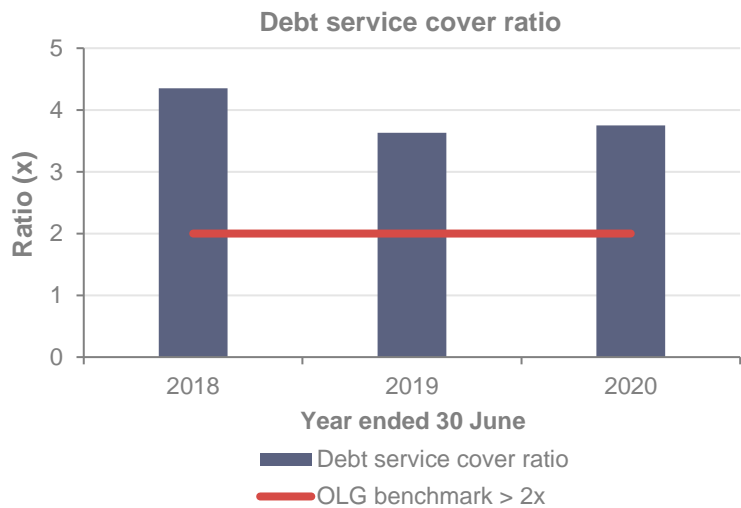
The Council met the OLG benchmark for the current reporting period with a ratio of 1.69. This ratio decreased significantly from the prior years due to the temporary utilisation of internal reserves to fund capital projects until external borrowings have been secured.



Debt service cover ratio

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

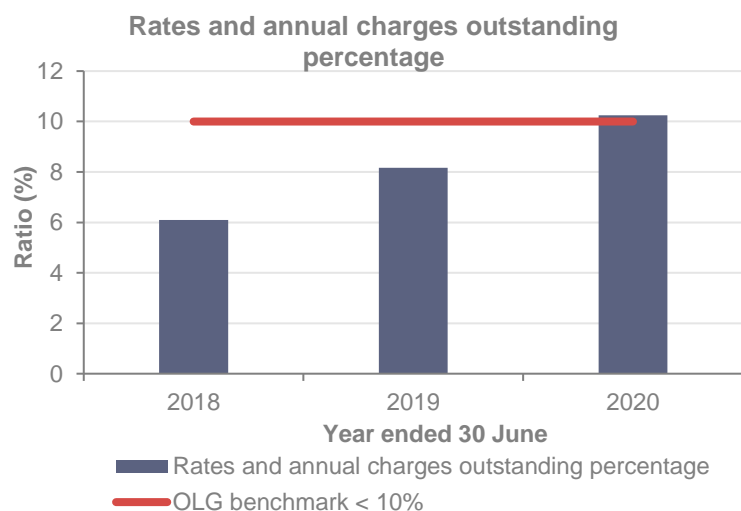
The Council exceeded the OLG benchmark for the current reporting period. The increase in Council's ratio for 2019-20 is due to a reduction in loan repayments (principal + borrowing costs).



Rates and annual charges outstanding percentage

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

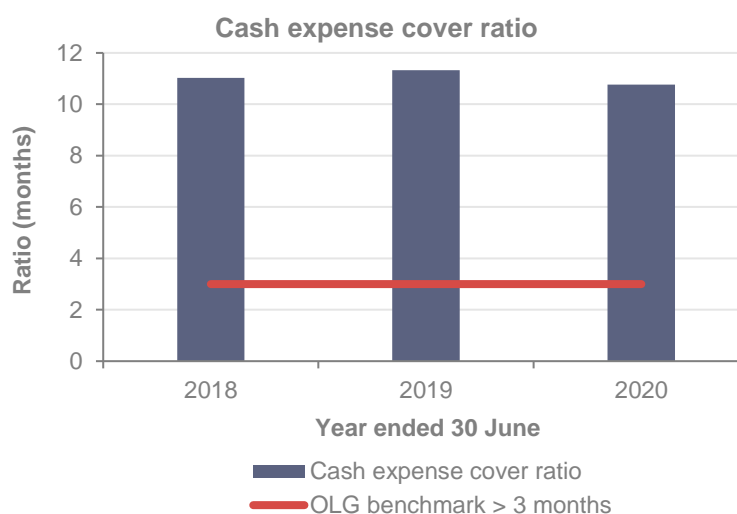
The Council did not meet the OLG benchmark for the current reporting period. The ratio increased during 2019-20 as a result of COVID-19 and Council's support package measures implemented in response.



Cash expense cover ratio

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

The Council exceeded the OLG benchmark for the current reporting period and the ratio has remained relatively stable on prior years.



Infrastructure, property, plant and equipment renewals

The Council's asset renewal expenditure in the 2019-20 year was \$18.0 million (\$16.9 million in 2018-19). In 2019-20, major renewal projects included Stuarts Point Foreshore Upgrade Project, Turners Flat Bridge Replacement, Gowings Hill Road, Crescent Head Road Safety Improvements and Kinchela Emergency Water Treatment Plant Refurbishment.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

The Council recognised a \$2.3 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

AASB 16 'Leases'

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

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

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

The Council recognised right-of-use assets and lease liabilities of \$100,000 respectively at 1 July 2019 on adoption of AASB 16.

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

Prior period errors

The revaluation of transport assets during 2019/20 identified previously omitted road infrastructure assets.

Note 15 of the financial statements provides details of the prior period error.

Legislative compliance

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

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



Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

cc: Craig Milburn, General Manager
Stephen Coates, Chair of the Audit and Risk Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Kempsey Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

*Lead and work with our community to build an inspired,
connected Macleay Valley*



Special Purpose Financial Statements

for the year ended 30 June 2020

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Income Statement – Sewerage Business Activity	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
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(1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

(1) See Note 15(b) for details regarding restatement as a result of prior period error

(3) The 2019 Ratios have been restated as a result of prior period errors. Refer to Note 15(b) for details.

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).

Kempsey Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

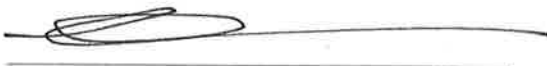
Signed in accordance with a resolution of Council made on 17 November 2020.



Elizabeth Campbell
Mayor
17 November 2020



Sue McGinn
Councillor
17 November 2020



Craig Milburn
General Manager
17 November 2020



Ron Wood
Responsible Accounting Officer
17 November 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

	2020	2019
	Actual	Actual
	\$ '000	\$ '000
Income from continuing operations		
Access charges	4,662	4,384
User charges	7,938	7,657
Fees	253	144
Interest	238	118
Grants and contributions provided for non-capital purposes	379	353
Other income	85	1
Total income from continuing operations	13,555	12,657
Expenses from continuing operations		
Employee benefits and on-costs	2,757	1,969
Borrowing costs	1,066	1,168
Materials and contracts	2,211	2,353
Depreciation, amortisation and impairment	5,601	5,467
Loss on sale of assets	466	328
Calculated taxation equivalents	39	39
Debt guarantee fee (if applicable)	90	98
Other expenses	1,996	2,854
Total expenses from continuing operations	14,226	14,276
Surplus (deficit) from continuing operations before capital amounts	(671)	(1,619)
Grants and contributions provided for capital purposes	1,812	1,365
Surplus (deficit) from continuing operations after capital amounts	1,141	(254)
Surplus (deficit) from all operations before tax	1,141	(254)
SURPLUS (DEFICIT) AFTER TAX	1,141	(254)
Plus accumulated surplus	58,146	58,302
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	39	39
– Debt guarantee fees	90	98
Less:		
– Tax equivalent dividend paid	(39)	(39)
Closing accumulated surplus	59,377	58,146
Return on capital %	0.2%	(0.2)%
Subsidy from Council	1,347	–
Calculation of dividend payable:		
Surplus (deficit) after tax	1,141	(254)
Less: capital grants and contributions (excluding developer contributions)	(1,812)	(7)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

	2020	2019
	Actual	Actual
	\$ '000	\$ '000
Income from continuing operations		
Access charges	11,303	10,815
User charges	963	947
Liquid trade waste charges	309	267
Fees	92	86
Interest	223	41
Grants and contributions provided for non-capital purposes	114	118
Other income	94	18
Total income from continuing operations	13,098	12,292
Expenses from continuing operations		
Employee benefits and on-costs	2,870	2,095
Borrowing costs	948	1,007
Materials and contracts	2,342	2,343
Depreciation, amortisation and impairment	3,797	4,294
Loss on sale of assets	257	543
Calculated taxation equivalents	29	29
Debt guarantee fee (if applicable)	81	87
Other expenses	1,713	2,624
Total expenses from continuing operations	12,037	13,022
Surplus (deficit) from continuing operations before capital amounts	1,061	(730)
Grants and contributions provided for capital purposes	1,107	640
Surplus (deficit) from continuing operations after capital amounts	2,168	(90)
Surplus (deficit) from all operations before tax	2,168	(90)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(292)	–
SURPLUS (DEFICIT) AFTER TAX	1,876	(90)
Plus accumulated surplus	47,254	47,257
Plus/less: Accumulated Surplus adjusted due to AASB15	(26)	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	29	29
– Debt guarantee fees	81	87
– Corporate taxation equivalent	292	–
Less:		
– Tax equivalent dividend paid	(29)	(29)
Closing accumulated surplus	49,477	47,254
Return on capital %	1.7%	0.2%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	1,876	(90)
Less: capital grants and contributions (excluding developer contributions)	(1,107)	(181)
Surplus for dividend calculation purposes	769	–
Potential dividend calculated from surplus	385	–

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

	2020	2019
	Actual	Actual
	\$ '000	\$ '000
ASSETS		
Current assets		
Cash and cash equivalents	3,598	262
Investments	7,806	9,696
Receivables	3,213	2,321
Total current assets	14,617	12,279
Non-current assets		
Infrastructure, property, plant and equipment	198,006	198,941
Total non-current assets	198,006	198,941
TOTAL ASSETS	212,623	211,220
LIABILITIES		
Current liabilities		
Payables	96	107
Borrowings	1,264	1,632
Total current liabilities	1,360	1,739
Non-current liabilities		
Borrowings	16,729	17,993
Total non-current liabilities	16,729	17,993
TOTAL LIABILITIES	18,089	19,732
NET ASSETS	194,534	191,488
EQUITY		
Accumulated surplus	59,377	58,146
Revaluation reserves	135,157	133,342
TOTAL EQUITY	194,534	191,488

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

	2020	2019
	Actual	Actual
	\$ '000	\$ '000
ASSETS		
Current assets		
Cash and cash equivalents	4,205	232
Investments	9,315	10,300
Receivables	1,326	1,270
Total current assets	14,846	11,802
Non-current assets		
Infrastructure, property, plant and equipment	117,702	118,297
Total non-current assets	117,702	118,297
TOTAL ASSETS	132,548	130,099
LIABILITIES		
Current liabilities		
Contract liabilities	376	–
Payables	80	81
Borrowings	1,274	1,205
Total current liabilities	1,730	1,286
Non-current liabilities		
Borrowings	15,017	16,290
Total non-current liabilities	15,017	16,290
TOTAL LIABILITIES	16,747	17,576
NET ASSETS	115,801	112,523
EQUITY		
Accumulated surplus	49,477	47,254
Revaluation reserves	66,324	65,269
TOTAL EQUITY	115,801	112,523

Kempsey Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water Supply

Water supply services within the Kempsey Shire Council Area

b. Sewerage Service

Sewerage services within the Kempsey Shire Council area

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.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Kempsey Shire Council

To the Councillors of Kempsey Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- water supply
- sewerage.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

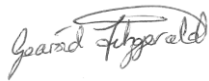
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

24 November 2020
SYDNEY

Kempsey Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

*Lead and work with our community to build an inspired,
connected Macleay Valley*



Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2019/20 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	20,685	20,052
Plus or minus adjustments ²	b	105	79
Notional general income	c = a + b	20,790	20,131
Permissible income calculation			
Rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	541	544
Sub-total	k = (c + g + h + i + j)	21,331	20,675
Plus (or minus) last year's carry forward total	l	(4)	6
Sub-total	n = (l + m)	(4)	6
Total permissible income	o = k + n	21,327	20,681
Less notional general income yield	p	21,325	20,685
Catch-up or (excess) result	q = o - p	1	(5)
Carry forward to next year ⁶	t = q + r - s	1	(5)

Notes

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



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

To the Councillors of Kempsey Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

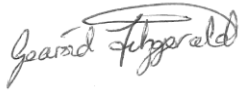
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

24 November 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring assets agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
(a) Report on Infrastructure Assets - Values													
Buildings	Buildings – non-specialised	70	70	960	890	14,035	37,902	6.0%	5.0%	48.0%	39.0%	2.0%	
	Buildings – specialised	–	–	600	600	10,530	26,010	10.0%	8.0%	46.0%	35.0%	1.0%	
	Sub-total	70	70	1,560	1,490	24,565	63,912	7.6%	6.2%	47.2%	37.4%	1.6%	
Roads	Sealed roads	31,212	31,212	1,866	1,616	167,493	240,004	30.0%	48.0%	9.0%	7.0%	6.0%	
	Unsealed roads	–	–	1,273	1,273	16,992	26,098	5.0%	86.0%	8.0%	0.0%	1.0%	
	Bridges	6,622	6,622	216	126	57,874	94,118	16.0%	18.0%	55.0%	8.0%	3.0%	
	Footpaths	704	704	87	17	13,745	24,748	24.0%	9.0%	50.0%	16.0%	1.0%	
	Other road assets	1,111	1,111	234	164	48,554	82,339	11.0%	42.0%	41.0%	5.0%	1.0%	
	Bulk earthworks	–	–	–	–	235,078	235,078	0.0%	0.0%	0.0%	0.0%	100.0%	
Sub-total	39,649	39,649	3,676	3,196	539,954	702,385	14.7%	27.2%	17.3%	4.6%	36.1%		
Water supply network	Water supply network	13,089	18,802	4,877	3,997	192,798	290,116	29.8%	31.8%	31.5%	4.8%	2.1%	
	Sub-total	13,089	18,802	4,877	3,997	192,798	290,116	29.8%	31.8%	31.5%	4.8%	2.1%	
Sewerage network	Sewerage network	33,147	22,487	5,102	4,501	112,036	226,578	22.0%	42.7%	15.0%	16.8%	3.5%	
	Sub-total	33,147	22,487	5,102	4,501	112,036	226,578	22.0%	42.7%	15.0%	16.8%	3.5%	
Stormwater drainage	Stormwater drainage	8,810	8,810	1,193	693	89,995	134,559	49.0%	30.0%	12.0%	7.0%	2.0%	
	Sub-total	8,810	8,810	1,193	693	89,995	134,559	49.0%	30.0%	12.0%	7.0%	2.0%	
Open space / recreational assets	Swimming pools	–	–	675	675	1,111	3,439	0.0%	0.0%	68.0%	32.0%	0.0%	
	Other	–	–	2,240	2,240	7,562	14,805	38.0%	18.0%	26.0%	6.0%	12.0%	
	Sub-total	–	–	2,915	2,915	8,673	18,244	30.8%	14.6%	33.9%	10.9%	9.7%	
TOTAL - ALL ASSETS		94,765	89,818	19,323	16,792	968,021	1,435,794	22.0%	29.8%	20.9%	8.3%	19.0%	

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

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required

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

4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Report on Infrastructure Assets (continued)

as at 30 June 2020

	<i>Amounts</i>	<i>Indicator</i>	<i>Prior periods</i>		<i>Benchmark</i>
	<i>2020</i>	<i>2020</i>	<i>2019</i> ³	<i>2018</i>	
<i>\$ '000</i>	<i>Actual</i>	<i>Actual</i>	<i>Restated Actual</i>	<i>Actual</i>	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	18,874	77.90%	59.64%	96.10%	>=100.00%
Depreciation, amortisation and impairment	24,227				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	94,765	9.79%	11.40%	6.69%	<2.00%
Net carrying amount of infrastructure assets	968,021				
Asset maintenance ratio					
Actual asset maintenance	16,792	86.90%	82.57%	86.01%	>100.00%
Required asset maintenance	19,323				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	89,818	6.26%	7.46%	4.22%	
Gross replacement cost	1,435,794				

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

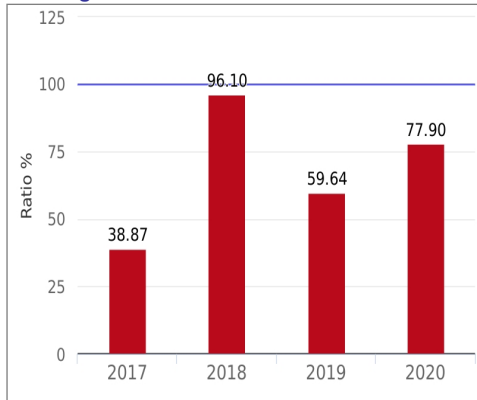
(1) Excludes Work In Progress (WIP)

(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.

(3) The 2019 Ratios have been restated as a result of prior period errors. Refer to Note 15(b) for details.

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 77.90%

The ratio shows improvement on prior year results. Council expects the result to trend towards benchmark as asset management practices continue to improve

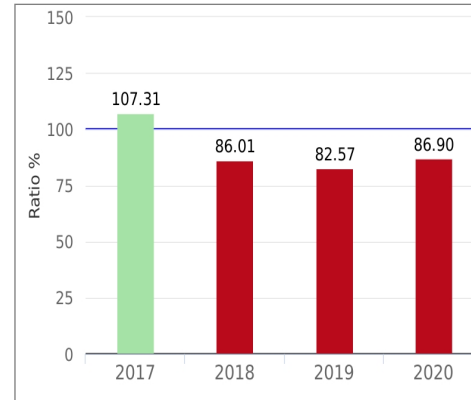
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

19/20 ratio 86.90%

Asset maintenance is slightly below benchmark levels but relatively comparable with prior year.

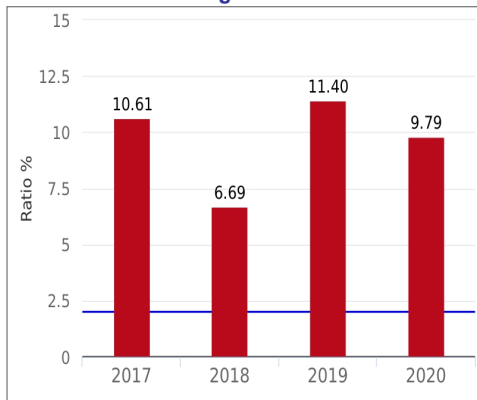
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

19/20 ratio 9.79%

This ratio is trending towards benchmark and is expected to continue to improve in line with the buildings and infrastructure renewals ratio.

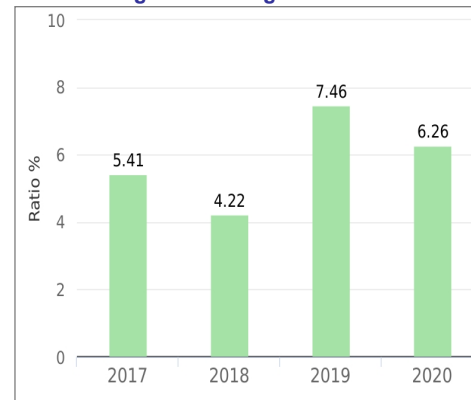
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

19/20 ratio 6.26%

More work needs to be done in order to address this metric and better understand service levels. This work will form part of the Asset Management initiative.

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	108.59%	68.64%	21.14%	55.51%	39.64%	33.73%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	7.32%	9.25%	6.79%	5.71%	29.59%	34.00%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	88.76%	76.98%	81.96%	84.42%	88.22%	93.89%	>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	5.28%	6.61%	6.48%	7.64%	9.92%	10.84%	

(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.