

Kyogle Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020



Kyogle Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

1 Stratheden Street
Kyogle NSW 2474

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.kyogle.nsw.gov.au.

Kyogle Council

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 09 November 2020.



Danielle Mulholland

Mayor

09 November 2020



John Burley
Councillor

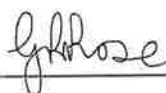
09 November 2020



Graham Kennett

General Manager

09 November 2020



Glenn Rose

Responsible Accounting Officer

09 November 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019 ¹
Income from continuing operations				
10,539	Rates and annual charges	3a	10,669	10,083
6,079	User charges and fees	3b	7,801	9,806
6	Other revenues	3c	16	20
6,547	Grants and contributions provided for operating purposes	3d,3e	9,991	6,906
9,117	Grants and contributions provided for capital purposes	3d,3e	9,704	8,475
323	Interest and investment income	4	185	288
<u>32,611</u>	Total income from continuing operations		<u>38,366</u>	<u>35,578</u>
Expenses from continuing operations				
8,686	Employee benefits and on-costs	5a	8,807	8,520
289	Borrowing costs	5b	205	146
3,585	Materials and contracts	5c	6,172	6,487
7,101	Depreciation and amortisation	5d	7,877	7,463
2,350	Other expenses	5e	2,196	2,170
106	Net losses from the disposal of assets	6	2,529	2,927
<u>22,117</u>	Total expenses from continuing operations		<u>27,786</u>	<u>27,713</u>
<u>10,494</u>	Operating result from continuing operations		<u>10,580</u>	<u>7,865</u>
<u>10,494</u>	Net operating result for the year		<u>10,580</u>	<u>7,865</u>
10,494	Net operating result attributable to council		10,580	7,865
<u>1,377</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>876</u>	<u>(610)</u>

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019 ¹
Net operating result for the year (as per Income Statement)		10,580	7,865
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	(15,637)	29,480
Impairment (loss) reversal / (Revaluation decrement) relating to IPP&E	10(a)	(2,832)	457
Total items which will not be reclassified subsequently to the operating result		(18,469)	29,937
Total other comprehensive income for the year		(18,469)	29,937
Total comprehensive income for the year		(7,889)	37,802
Total comprehensive income attributable to Council		(7,889)	37,802

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019 ¹
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	16,394	13,211
Receivables	8	5,691	4,382
Inventories	9	1,532	1,370
Contract assets	11	915	–
Total current assets		<u>24,532</u>	<u>18,963</u>
Non-current assets			
Infrastructure, property, plant and equipment	10(a)	434,017	442,798
Right of use assets		–	–
Total non-current assets		<u>434,017</u>	<u>442,798</u>
Total assets		<u>458,549</u>	<u>461,761</u>
LIABILITIES			
Current liabilities			
Payables	13	3,125	3,178
Borrowings	13	842	263
Provisions	14	2,600	2,511
Total current liabilities		<u>6,567</u>	<u>5,952</u>
Non-current liabilities			
Payables	13	67	138
Borrowings	13	6,282	2,242
Provisions	14	944	851
Total non-current liabilities		<u>7,293</u>	<u>3,231</u>
Total liabilities		<u>13,860</u>	<u>9,183</u>
Net assets		<u>444,689</u>	<u>452,578</u>
EQUITY			
Accumulated surplus	15	177,095	166,515
Revaluation reserves	15	267,594	286,063
Council equity interest		<u>444,689</u>	<u>452,578</u>
Total equity		<u>444,689</u>	<u>452,578</u>

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity ¹
Opening balance		166,515	286,063	452,578	158,650	256,126	414,776
Changes due to AASB 1058 and AASB 15 adoption	15	–	–	–	–	–	–
Changes due to AASB 16 adoption	15	–	–	–	–	–	–
Net operating result for the year		10,580	–	10,580	7,865	–	7,865
Net operating result for the period		10,580	–	10,580	7,865	–	7,865
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	(15,637)	(15,637)	–	29,480	29,480
– Impairment (loss) reversal relating to IPP&E	10(a)	–	(2,832)	(2,832)	–	457	457
Other comprehensive income		–	(18,469)	(18,469)	–	29,937	29,937
Total comprehensive income		10,580	(18,469)	(7,889)	7,865	29,937	37,802
Equity – balance at end of the reporting period		177,095	267,594	444,689	166,515	286,063	452,578

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019 ¹
Cash flows from operating activities				
Receipts:				
10,539	Rates and annual charges		10,746	10,053
6,079	User charges and fees		6,679	10,784
323	Investment and interest revenue received		192	287
15,664	Grants and contributions		18,786	16,924
6	Other		(318)	256
Payments:				
(8,686)	Employee benefits and on-costs		(8,588)	(8,363)
(3,585)	Materials and contracts		(5,183)	(6,796)
(289)	Borrowing costs		(175)	(138)
–	Bonds, deposits and retention amounts refunded		(142)	(124)
(2,773)	Other		(3,675)	(617)
17,278	Net cash provided from (or used in) operating activities	16b	18,322	22,266
Cash flows from investing activities				
Receipts:				
317	Sale of infrastructure, property, plant and equipment		301	367
Payments:				
(19,571)	Purchase of infrastructure, property, plant and equipment		(20,059)	(22,404)
(19,254)	Net cash provided from (or used in) investing activities		(19,758)	(22,037)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		5,000	–
–	Bank overdraft		108	–
Payments:				
(692)	Repayment of borrowings and advances		(489)	(252)
(692)	Net cash flow provided from (used in) financing activities		4,619	(252)
(2,668)	Net increase/(decrease) in cash and cash equivalents		3,183	(23)
10,957	Plus: cash and cash equivalents – beginning of year	16a	13,211	13,234
8,289	Cash and cash equivalents – end of the year	16a	16,394	13,211

(1) 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 9/11/2020. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

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.

Council has implemented measures to address public health order requirements, including the temporary closure of swimming pools, art gallery and library.

A small proportion of Council indoor based staff chose to work from home for a period of approximately 6 weeks and other work health and safety procedures were introduced to ensure social distancing and the general wellbeing of staff, contractors and stakeholders.

Going concern

Council has considered its 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 has sufficient resources and are expected to be able to continue managing

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

any possible future funding requirements for the foreseeable future. Council conclude that using the going concern basis is appropriate in preparing its financial statements.

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

The Consolidated fund has been included in the financial statements of Council.

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

- General purpose operations
- Water service
- Sewerage service
- Domestic Waste Management

(b) The Trust Fund

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

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

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

- Companion Animals Receipts.
- Unclaimed Monies.
- Monumental Deposits.
- Long Services Levies.

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council has minimal dependence on volunteer services, these services have not been recognised in the income statement as they are not material.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been adopted.

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Governance	–	–	461	476	(461)	(476)	–	–	–	–
Administration	–	75	1,165	1,126	(1,165)	(1,051)	–	75	17,276	14,002
Personnel	55	60	537	301	(482)	(241)	–	–	–	–
Finance	10,153	10,663	618	525	9,535	10,138	2,906	3,710	–	–
Crown reserves	258	270	422	108	(164)	162	239	270	–	–
Town planning	151	182	577	469	(426)	(287)	–	–	–	–
Environmental health	148	184	413	448	(265)	(264)	–	–	–	–
Building control	54	72	83	83	(29)	(11)	–	–	–	–
Animal control	22	24	116	119	(94)	(95)	4	–	55	58
Other waste management	924	817	1,112	689	(188)	128	57	55	1,409	1,335
Strategic, community & cultural services	258	35	556	656	(298)	(621)	248	26	987	–
Pre schools	–	–	67	66	(67)	(66)	–	–	–	–
Public libraries	109	42	511	442	(402)	(400)	87	38	8	106
Regional roads	6,688	1,488	1,750	1,862	4,938	(374)	5,551	364	59,311	58,830
Urban roads	111	222	920	966	(809)	(744)	111	222	14,413	14,711
Rural roads	2,400	5,331	3,982	5,855	(1,582)	(524)	2,285	5,301	124,936	134,724
Bridges	3,942	2,429	2,513	3,240	1,429	(811)	3,736	2,426	123,766	122,830
Emergency services	1,784	247	1,485	714	299	(467)	1,768	232	2,500	2,545
Swimming pools	181	156	744	778	(563)	(622)	37	17	3,380	3,488
Parks & gardens	102	387	681	702	(579)	(315)	102	385	3,414	3,804
Community buildings	655	783	597	277	58	506	562	618	10,012	9,440
Public cemeteries	116	109	152	143	(36)	(34)	–	–	145	152
Stormwater drainage	177	544	254	494	(77)	50	(3)	370	25,121	25,498
Engineering administration	89	305	(314)	104	403	201	–	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Water supplies	2,184	1,671	1,872	1,725	312	(54)	470	46	28,358	28,178
Sewerage services	1,518	1,452	1,236	1,349	282	103	–	–	29,497	28,887
Domestic waste management	1,010	957	751	1,093	259	(136)	–	–	153	(214)
State highways	5,238	6,677	5,638	5,985	(400)	692	–	–	1,406	1,806
Quarries	–	352	(565)	(646)	565	998	–	–	2,148	1,875
Plant fund	39	44	(548)	(2,436)	587	2,480	–	–	10,254	9,706
Total functions and activities	38,366	35,578	27,786	27,713	10,580	7,865	18,160	14,155	458,549	461,761

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

Includes costs relating to Council's role as a component of democratic government, including elections, member's fees and expenses, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

Includes corporate support and other support services and any Council Policy compliance.

Personnel

Includes costs relating to payroll, human resources and workplace health and safety.

Finance

Includes rates, accounts receivable, accounts payable and annual financial reporting requirements.

Crown reserves

Includes costs relating to reserves not controlled by council.

Town Planning

Includes costs relating to planning activities.

Environmental health

Includes costs relating to environmental activities.

Building control

Includes costs relating to building inspections.

Animal control

Includes costs relating to regulatory activities.

Other waste management

Includes costs relating to waste management.

Strategic, community and cultural services

Includes costs relating to Economic development, tourism, visitor information centre, community services and art galleries.

Pre schools

Includes building maintenance and operating contributions to local pre schools.

Public libraries

Includes costs relating to the regional library.

Regional roads

Includes costs relating to sealed and unsealed regional roads and bridges.

Urban roads

Includes costs relating to sealed and unsealed urban roads and footpaths.

Rural roads

Includes costs relating to sealed and unsealed rural roads.

Bridges

Includes costs relating to rural bridges.

Emergency services

Includes costs relating to rural fire brigades, town brigade and state emergency services.

Swimming pools

Includes costs relating to Kyogle, Bonalbo and Woodenbong pool.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Parks and gardens

Includes costs relating to parks, gardens and sporting fields.

Community buildings

Includes costs relating to community buildings.

Public cemeteries

Includes costs relating to cemeteries, lawn cemetery and columbarium walls.

Stormwater drainage

Includes costs relating to drainage improvements and flood mitigation.

Engineering administration

Includes costs relating to provision of engineering services.

Water supplies

All matters relating to the provision of water supplies.

Sewerage services

All matters relating to the provision of sewerage services.

Domestic waste management

Includes costs relating to collection of residential and commercial bins.

State highways

All matters relating to works conducted on state highways.

Quarries

All matters relating to the production of quarry materials for council roadworks.

Plant fund

All matters relating to councils vehicle fleet.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	3,445	3,127
Farmland	1058 (1)	3,392	3,332
Business	1058 (1)	301	291
Less: pensioner rebates (mandatory)	1058 (1)	(224)	(224)
Rates levied to ratepayers		6,914	6,526
Pensioner rate subsidies received	1058 (1)	124	124
Total ordinary rates		7,038	6,650
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	1,033	977
Water supply services	1058 (1)	909	861
Sewerage services	1058 (1)	1,267	1,203
Drainage	1058 (1)	180	173
Waste management services (non-domestic)	1058 (1)	311	287
Less: pensioner rebates (mandatory)	1058 (1)	(151)	(150)
Annual charges levied		3,549	3,351
Pensioner subsidies received:			
– Water	1058 (1)	27	27
– Sewerage	1058 (1)	26	26
– Domestic waste management	1058 (1)	29	29
Total annual charges		3,631	3,433
TOTAL RATES AND ANNUAL CHARGES		10,669	10,083

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

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

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

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	816	773
Sewerage services	15 (2)	272	265
Waste management services (non-domestic)	15 (2)	684	599
Total specific user charges		1,772	1,637
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building services – other		22	17
Inspection services	15 (1)	69	122
Planning and building regulation	15 (1)	155	194
Private works – section 67	15 (2)	56	213
Section 603 certificates		22	21
Other		122	205
Art galleries		6	4
Caravan parks	15 (1)	60	116
Cemeteries	15 (1)	116	109
Pools	15 (1)	144	139
Quarries	15 (1)	19	352
RMS (formerly RTA) charges (State roads not controlled by council)	15 (2)	5,238	6,677
Total fees and charges – statutory/regulatory		6,029	8,169
TOTAL USER CHARGES AND FEES		7,801	9,806

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

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

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

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

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

Accounting policy for user charges and fees

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(c) Other revenues		
Other	16	20
<u>TOTAL OTHER REVENUE</u>	<u>16</u>	<u>20</u>

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance	1058 (1)	2,239	2,214	–	–
Payment in advance - future year allocation					
Financial assistance	1058 (1)	2,373	2,295	–	–
Total general purpose		4,612	4,509	–	–
Specific purpose					
Water supplies		–	–	430	–
Bushfire and emergency services	1058 (1)	273	232	–	–
Library	1058 (1)	87	38	–	–
LIRS subsidy		40	46	–	–
Storm/flood damage	1058 (1)	(22)	358	–	–
Street lighting		35	34	–	–
Transport (other roads and bridges funding)	1058 (1) (2)	1,705	230	8,236	7,100
Community projects	1058 (1)	2,145	391	545	1,150
Flood mitigation		–	–	19	12
Waste sustainability		55	55	–	–
Total specific purpose		4,318	1,384	9,230	8,262
Total grants		8,930	5,893	9,230	8,262
Grant revenue is attributable to:					
– Commonwealth funding		7,711	4,660	5,491	3,239
– State funding		1,219	1,233	3,739	5,023
		8,930	5,893	9,230	8,262

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services			54	29	4	14
S 64 – water supply contributions			–	–	–	2
S 64 – sewerage service contributions			–	–	–	1
Total developer contributions – cash			54	29	4	17
Total developer contributions	25		54	29	4	17
Other contributions:						
Cash contributions						
Other councils – joint works/services			–	–	191	–
Roads and bridges			–	–	90	–
RMS contributions (regional roads, block grant)		1058 (1) (2)	946	925	189	189
Other			61	59	–	7
Total other contributions – cash			1,007	984	470	196
Total other contributions			1,007	984	470	196
Total contributions			1,061	1,013	474	213
TOTAL GRANTS AND CONTRIBUTIONS			9,991	6,906	9,704	8,475

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

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

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

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

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

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

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

The performance obligations are varied based on the agreement but include [provide details of performance obligations within AASB 15 grants e.g. events, vaccinations]. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
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(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	210	16
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	810	196
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(2)
Less: operating grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (operating grants)	1,020	210

Various grants for crown reserves

Capital grants

Unexpended at the close of the previous reporting period	1,696	202
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	1,586
Less: capital grants recognised in a previous reporting period now spent (2019 only)	(1,594)	(92)
Less: capital grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (capital grants)	102	1,696

Various grants for flood damage, parks, community buildings and libraries

Contributions

Unexpended at the close of the previous reporting period	161	156
Add: contributions recognised as income in the current period but not yet spent	163	161
Less: contributions recognised in a previous reporting period now spent	(161)	(156)
Unexpended and held as externally restricted assets (contributions)	163	161

Developer contributions under S7.11 and S64 plans

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	46	53
– Cash and investments	137	232
– Other	2	3
Finance income on the net investment in the lease	–	–
Total Interest and investment income	185	288
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
General Council cash and investments	178	274
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	1	2
– Section 64	1	1
Water fund operations	2	3
Sewerage fund operations	1	4
Domestic waste management operations	2	4
Total interest and investment revenue	185	288

Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	7,708	7,388
Employee leave entitlements (ELE)	1,653	1,674
Superannuation – defined contribution plans	761	763
Superannuation – defined benefit plans	158	146
Workers' compensation insurance	144	132
Fringe benefit tax (FBT)	13	10
Training costs (other than salaries and wages)	154	141
Other	125	112
Total employee costs	10,716	10,366
Less: capitalised costs	(1,909)	(1,846)
TOTAL EMPLOYEE COSTS EXPENSED	8,807	8,520
Number of 'full-time equivalent' employees (FTE) at year end	117	111

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 19 for more information.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		–	–
Interest on loans		201	138
Total interest bearing liability costs		201	138
Total interest bearing liability costs expensed		201	138
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	14	4	8
Total other borrowing costs		4	8
TOTAL BORROWING COSTS EXPENSED		205	146

Accounting policy for borrowing costs

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

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	6,041	6,366
Auditors remuneration ¹	69	62
Legal expenses:		
– Legal expenses: debt recovery	36	27
– Legal expenses: other	26	32
Expenses from short-term leases (2020 only)	–	–
Expenses from leases of low value assets (2020 only)	–	–
Expenses from Peppercorn leases (2020 only)	–	–
Variable lease expense relating to usage (2020 only)	–	–
Total materials and contracts	6,172	6,487
TOTAL MATERIALS AND CONTRACTS	6,172	6,487

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
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	62	60
Remuneration for audit and other assurance services	62	60
Total Auditor-General remuneration	62	60
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit services	7	2
Remuneration for audit and other assurance services	7	2
Total remuneration of non NSW Auditor-General audit firms	7	2
Total Auditor remuneration	69	62

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,190	1,151
Office equipment		87	88
Furniture and fittings		1	1
Land improvements (depreciable)		23	22
Infrastructure:	10(a)		
– Buildings – non-specialised		65	61
– Buildings – specialised		356	328
– Other structures		206	195
– Roads		4,012	3,782
– Bridges		1,233	1,130
– Footpaths		60	56
– Stormwater drainage		73	70
– Water supply network		301	295
– Sewerage network		192	185
– Swimming pools		71	69
Right of use assets	12	–	–
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	14,10(a)	2	1
– Quarry assets	14,10(a)	5	29
Total gross depreciation and amortisation costs		7,877	7,463
Total depreciation and amortisation costs		7,877	7,463
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
	10(a)		
– Roads		2,077	(293)
– Bridges		755	(164)
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		2,832	(457)
Amounts taken through revaluation reserve	10(a)	(2,832)	457
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	–
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		7,877	7,463

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

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

Impairment of non-financial assets

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

Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

\$ '000	2020	2019
(e) Other expenses		
Advertising	75	64
Training costs (other than salaries and wages)	–	–
Travel expenses	–	–
Bad and doubtful debts / (Reversals)	(3)	2
Councillor expenses – mayoral fee	27	26
Councillor expenses – councillors' fees	109	107
Councillors' expenses (incl. mayor) – other (excluding fees above)	27	45
Donations, contributions and assistance to other organisations (Section 356)	299	282
Electricity and heating	318	368
Emergency services	317	300
Insurance	373	361
Regional library	436	367
Street lighting	112	147
Subscriptions and publications	15	12
Telephone and communications	91	89
Total other expenses	2,196	2,170
TOTAL OTHER EXPENSES	2,196	2,170

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Plant and equipment	10(a)		
Proceeds from disposal – plant and equipment		301	367
Less: carrying amount of plant and equipment assets sold/written off		(305)	(245)
Net gain/(loss) on disposal		<u>(4)</u>	<u>122</u>
Infrastructure	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(2,525)	(3,049)
Net gain/(loss) on disposal		<u>(2,525)</u>	<u>(3,049)</u>
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		<u>(2,529)</u>	<u>(2,927)</u>

Accounting policy for disposal of assets

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

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

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	8,394	5,211
Cash-equivalent assets		
– Deposits at call	8,000	8,000
Total cash and cash equivalents	<u>16,394</u>	<u>13,211</u>

Accounting policy for cash and cash equivalents

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	16,394	–	13,211	–
attributable to:				
External restrictions	1,997	–	2,407	–
Internal restrictions	11,511	–	7,429	–
Unrestricted	2,886	–	3,375	–
	16,394	–	13,211	–

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	1,122	–
Retention bonds and deposits	134	277
Specific purpose unexpended grants – water fund (2020 only)	–	–
Specific purpose unexpended grants – sewer fund (2020 only)	–	–
External restrictions – included in liabilities	1,256	277

External restrictions – other

Developer contributions – general	109	107
Developer contributions – sewer fund	54	53
Specific purpose unexpended grants (recognised as revenue) – general fund	–	1,906
Water supplies	184	371
Sewerage services	394	60
Domestic waste management	–	(367)
External restrictions – other	741	2,130

Total external restrictions

	1,997	2,407
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Internal restrictions

Plant and vehicle replacement	1,423	1,479
Employees leave entitlement	1,443	1,381
Carry over works	5,283	464
Building replacement	150	150
Commercial waste	186	138
Emergency works	500	500
Information technology	100	100
Quarries	1,226	1,052
Roads and bridges	1,000	1,000
Stormwater management	200	200
Transport	–	965
Total internal restrictions	11,511	7,429

TOTAL RESTRICTIONS

	13,508	9,836
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	652	–	729	2
User charges and fees	2,251	–	1,129	–
Accrued revenues				
– Interest on investments	5	–	12	–
Net investment in finance lease	–	–	–	–
Amounts due from other councils	173	–	–	–
Government grants and subsidies	2,453	–	2,516	–
Net GST receivable	160	–	–	–
Other debtors	1	–	1	–
Total	5,695	–	4,387	2
Less: provision of impairment				
Rates and annual charges	–	–	–	(2)
Other debtors	(4)	–	(5)	–
Total provision for impairment – receivables	(4)	–	(5)	(2)
TOTAL NET RECEIVABLES	5,691	–	4,382	–
Externally restricted receivables				
Water supply				
– Rates and availability charges	112	–	134	–
– Other	207	–	170	–
Sewerage services				
– Rates and availability charges	125	–	155	–
– Other	65	–	65	–
Domestic waste management	153	–	153	–
Total external restrictions	662	–	677	–
Unrestricted receivables	5,029	–	3,705	–
TOTAL NET RECEIVABLES	5,691	–	4,382	–

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	7	6
– amounts already provided for and written off this year	(3)	1
Balance at the end of the year	4	7

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 2 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Inventories				
(i) Inventories at cost				
Stores and materials	1,029	–	974	–
Trading stock	503	–	396	–
Total inventories at cost	1,532	–	1,370	–
<u>TOTAL INVENTORIES</u>	<u>1,532</u>	<u>–</u>	<u>1,370</u>	<u>–</u>

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

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

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

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss recognised in equity (ARR)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	3,222	–	3,222	3,629	3,516	–	–	–	(2,634)	–	–	7,733	–	7,733
Plant and equipment	14,520	(7,914)	6,606	1,635	–	(306)	(1,190)	–	–	–	–	15,456	(8,711)	6,745
Office equipment	831	(709)	122	74	–	–	(87)	–	–	–	–	905	(795)	110
Furniture and fittings	31	(23)	8	–	–	–	(1)	–	–	–	–	31	(23)	8
Land:														
– Crown land	1,442	–	1,442	–	–	–	–	–	–	–	–	1,442	–	1,442
– Operational land	4,392	–	4,392	–	–	–	–	–	–	–	–	4,392	–	4,392
– Community land	1,603	–	1,603	–	–	–	–	–	–	–	–	1,603	–	1,603
– Land under roads (pre 1/7/08)	1,744	–	1,744	–	–	–	–	–	–	–	–	1,744	–	1,744
– Land under roads (post 30/6/08)	2	–	2	–	–	–	–	–	–	–	–	2	–	2
Land improvements – depreciable	869	(340)	529	–	–	–	(23)	–	–	–	–	869	(363)	506
Infrastructure:														
– Buildings – non-specialised	3,800	(1,670)	2,130	41	159	–	(65)	–	–	–	(55)	4,040	(1,830)	2,210
– Buildings – specialised	25,803	(12,900)	12,903	–	196	–	(356)	–	137	–	(68)	26,020	(13,208)	12,812
– Other structures	6,706	(3,003)	3,703	62	93	–	(206)	–	38	–	(91)	6,801	(3,201)	3,600
– Roads	248,804	(68,797)	180,007	6,680	560	(485)	(4,012)	(2,077)	177	–	(13,158)	237,144	(69,451)	167,693
– Bridges	166,406	(44,575)	121,831	3,172	3	(1,808)	(1,233)	(755)	1,725	–	(168)	166,824	(44,058)	122,766
– Footpaths	3,771	(688)	3,083	–	26	–	(60)	–	–	–	(70)	3,702	(723)	2,979
– Bulk earthworks (non-depreciable)	16,157	–	16,157	–	–	–	–	–	–	–	(1,513)	14,644	–	14,644
– Stormwater drainage	28,544	(3,246)	25,298	154	222	(138)	(73)	–	434	–	(975)	28,771	(3,851)	24,920
– Water supply network	32,633	(5,297)	27,336	125	–	(78)	(301)	–	116	–	92	32,911	(5,620)	27,291
– Sewerage network	33,777	(5,230)	28,547	–	–	(14)	(192)	–	–	–	348	34,154	(5,464)	28,690
– Swimming pools	5,502	(3,413)	2,089	–	–	–	(71)	–	–	–	21	5,502	(3,463)	2,039
Reinstatement, rehabilitation and restoration assets (refer Note 17):														
– Tip assets	340	(325)	15	–	–	–	(2)	–	–	47	–	386	(327)	59
– Quarry assets	369	(340)	29	–	–	–	(5)	–	–	5	–	375	(346)	29
Total Infrastructure, property, plant and equipment	601,268	(158,470)	442,798	15,572	4,775	(2,829)	(7,877)	(2,832)	(7)	52	(15,637)	595,451	(161,434)	434,017

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period									as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000															
Capital work in progress	3,212	–	3,212	2,564	407	–	–	–	–	(2,961)	–	–	3,222	–	3,222
Plant and equipment	13,915	(7,139)	6,776	1,227	–	–	(246)	(1,151)	–	–	–	–	14,520	(7,914)	6,606
Office equipment	795	(623)	172	38	–	–	–	(88)	–	–	–	–	831	(709)	122
Furniture and fittings	31	(22)	9	–	–	–	–	(1)	–	–	–	–	31	(23)	8
Land:															
– Operational land	4,392	–	4,392	–	–	–	–	–	–	–	–	–	4,392	–	4,392
– Community land	1,603	–	1,603	–	–	–	–	–	–	–	–	–	1,603	–	1,603
– Crown land	1,442	–	1,442	–	–	–	–	–	–	–	–	–	1,442	–	1,442
– Land under roads (pre 1/7/08)	1,744	–	1,744	–	–	–	–	–	–	–	–	–	1,744	–	1,744
– Land under roads (post 30/6/08)	2	–	2	–	–	–	–	–	–	–	–	–	2	–	2
Land improvements – depreciable	834	(304)	530	–	–	–	–	(22)	–	–	–	21	869	(340)	529
Infrastructure:															
– Buildings – non-specialised	3,593	(1,542)	2,051	–	–	–	–	(61)	–	–	–	140	3,800	(1,670)	2,130
– Buildings – specialised	23,180	(12,081)	11,099	811	206	–	–	(328)	–	620	–	495	25,803	(12,900)	12,903
– Other structures	6,094	(2,771)	3,323	39	381	–	(5)	(195)	–	7	–	153	6,706	(3,003)	3,703
– Roads	238,344	(66,714)	171,630	7,827	1,817	1,162	(951)	(3,782)	293	248	–	1,763	248,804	(68,797)	180,007
– Bridges	126,651	(32,525)	94,126	3,594	–	332	(1,950)	(1,130)	164	2,045	–	24,650	166,406	(44,575)	121,831
– Footpaths	3,660	(613)	3,047	–	–	–	–	(56)	–	–	–	92	3,771	(688)	3,083
– Bulk earthworks (non-depreciable)	15,412	–	15,412	–	373	–	(30)	–	–	–	–	402	16,157	–	16,157
– Stormwater drainage	28,070	(3,130)	24,940	15	–	–	(8)	(70)	–	41	–	380	28,544	(3,246)	25,298
– Water supply network	32,048	(4,922)	27,126	51	64	–	–	(295)	–	–	–	390	32,633	(5,297)	27,336
– Sewerage network	33,191	(6,026)	27,165	680	69	–	(104)	(185)	–	–	–	922	33,777	(5,230)	28,547
– Swimming pools	5,280	(3,194)	2,086	–	–	–	–	(69)	–	–	–	72	5,502	(3,413)	2,089
Reinstatement, rehabilitation and restoration assets (refer Note 17):															
– Tip assets	1,059	(324)	735	–	–	–	–	(1)	–	–	(719)	–	340	(325)	15
– Quarry assets	379	(311)	68	–	–	–	–	(29)	–	–	(10)	–	369	(340)	29
Total Infrastructure, property, plant and equipment	544,931	(142,241)	402,690	16,846	3,317	1,494	(3,294)	(7,463)	457	–	(729)	29,480	601,268	(158,470)	442,798

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. 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. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5	Playground equipment	5 to 15
Office furniture	5	Benches, seats etc.	10 to 20
Computer equipment	3		
Vehicles	10 to 20	Buildings	
Heavy plant/road making equipment	10	Buildings: masonry	80 to 170
Other plant and equipment	10	Buildings: other	15 to 65
		Stormwater assets	
Water and sewer assets		Drains	144 to 203
Civil works	40 to 195	Culverts	150 to 203
Mechanical and electrical	25 to 92		
Reticulation pipes: Water	65 to 203		
Reticulation pipes: Sewer	133 to 319		
Transportation assets			
Sealed roads: surface	10 to 35		
Sealed roads: structure	100		
Unsealed roads	20 to 38		
Bridge: concrete	141		
Bridge: timber	141		
Road pavements	125		
Kerb, gutter and footpaths	30 to 70		

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 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(a). 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.

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".

Up until 2008-09, Council recognised all new rural fire service assets including plant and vehicles, however since then, Council has not recognised any new rural fire service assets. Until such time as discussions on this matter have concluded and the legislation changed accordingly, Council will continue to not recognise any new rural fire service assets.

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

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	565	–	565	167	–	167
Infrastructure	32,911	5,620	27,291	32,633	5,297	27,336
Total water supply	33,476	5,620	27,856	32,800	5,297	27,503
Sewerage services						
WIP	169	–	169	7	–	7
Infrastructure	34,154	5,464	28,690	33,777	5,230	28,547
Total sewerage services	34,323	5,464	28,859	33,784	5,230	28,554
<u>TOTAL RESTRICTED IPP&E</u>	67,799	11,084	56,715	66,584	10,527	56,057

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(c). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2020	2019
(i) Impairment losses recognised direct to equity (ARR):			
Roads assets impaired during February 2020 flood		2,077	–
Bridge assets impaired during February 2020 flood		755	–
Total impairment losses		2,832	–
(ii) Reversals of impairment losses previously recognised direct to equity (ARR):			
Roads assets impaired during March 2017 flood		–	293
Bridge assets impaired during March 2017 flood		–	164
Total impairment reversals		–	457
<u>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</u>		<u>2,832</u>	<u>457</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
Contract assets		
Grants - Community Projects	175	–
Grants - Transport	740	–
Other	–	–
Total Contract assets	915	–

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

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 is not party to any lease arrangements that would require recognition under AASB 16. As such, there are no right of use assets or lease liabilities to be recognised on transition at 1 July 2019 or at 30 June 2020. Refer to Note 15 for further information.

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market value for land and buildings which are used for Pre Schools.

The leases are generally between 1 and 20 years and require payments of less than \$1,000 per year.

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)

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	1,938	–	787	–
Goods and services – capital expenditure	742	–	463	–
Accrued expenses:				
– Borrowings	37	–	11	–
– Salaries and wages	200	–	106	–
– Other expenditure accruals	140	–	132	–
Security bonds, deposits and retentions	68	67	139	138
ATO – net GST payable	–	–	137	–
Government departments and agencies	–	–	1,403	–
Prepaid rates	–	–	–	–
Total payables	3,125	67	3,178	138
Borrowings				
Bank overdraft	108	–	–	–
Loans – secured ¹	734	6,282	263	2,242
Total borrowings	842	6,282	263	2,242
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,967</u>	<u>6,349</u>	<u>3,441</u>	<u>2,380</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	319	1,047	310	1,265
Sewer	29	787	26	811
Payables and borrowings relating to externally restricted assets	348	1,834	336	2,076
Total payables and borrowings relating to restricted assets	348	1,834	336	2,076
Total payables and borrowings relating to unrestricted assets	3,619	4,515	3,105	304
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,967</u>	<u>6,349</u>	<u>3,441</u>	<u>2,380</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	2,505	4,511	–	–	–	–	7,016
TOTAL	2,505	4,511	–	–	–	–	7,016

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	2,757	(252)	–	–	–	2,505
TOTAL	2,757	(252)	–	–	–	2,505

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

Credit cards/purchase cards	12	12
Total financing arrangements	12	12

Undrawn facilities as at balance date:

– Credit cards/purchase cards	12	12
Total undrawn financing arrangements	12	12

Additional financing arrangements information**Breaches and defaults**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Finance leases (2019 only)

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	1,009	–	969	–
Long service leave	1,399	173	1,374	137
Other leave – time in lieu	65	–	51	–
ELE on-costs	127	–	117	–
Sub-total – aggregate employee benefits	2,600	173	2,511	137
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	771	–	714
Sub-total – asset remediation/restoration	–	771	–	714
TOTAL PROVISIONS	2,600	944	2,511	851

(a) Provisions relating to restricted assets**Externally restricted assets**

Water	104	–	102	–
Sewer	104	–	102	–
Provisions relating to externally restricted assets	208	–	204	–
Total provisions relating to restricted assets	208	–	204	–
Total provisions relating to unrestricted assets	2,392	944	2,307	851
TOTAL PROVISIONS	2,600	944	2,511	851

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

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

Provisions – employees benefits	1,210	1,191
	<u>1,210</u>	<u>1,191</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

(c) Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	714	714
Remeasurement effects	53	53
Unwinding of discount	4	4
Total other provisions at end of year	771	771
2019		
At beginning of year	1,434	1,434
Remeasurement effects	(729)	(729)
Unwinding of discount	9	9
Total other provisions at end of year	714	714

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarries (please find the list below).

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the tip and quarries as a result of past operations.

Asset/operation	Estimated year of restoration	NPV of provision	
		2020	2019
Tip Remediation - Kyogle	2022	186	138
Quarry Remediation - Millers	2029	162	160
Quarry Remediation - Medhurst	2029	209	206
Quarry Remediation - Griffiths	2026	160	157
Quarry Remediation - Lloyds	2026	54	53
Balance at the end of the reporting period		771	714

Accounting policy for provisions

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

Restoration

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

Rehabilitation

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

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

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

(i) 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.

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

- Council has reclassified prepaid rates and charges from a contra receivable in Note 8 to a financial liability in Note 13;
- Revenue in advance from Council facility bookings has been raised as a contract liability in Note 11;
- Additional line items of contract liabilities and right of use assets have been created.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	16,394	–	–	16,394	
Receivables	5,691	915	–	6,606	
Inventories	1,532	–	–	1,532	
Contract assets	915	(915)	–	–	
Total current assets	24,532	–	–	24,532	
Current liabilities					
Payables	3,125	–	–	3,125	
Borrowings	842	–	–	842	
Provisions	2,600	–	–	2,600	
Total current liabilities	6,567	–	–	6,567	
Non-current assets					
Infrastructure, property, plant and equipment	434,017	–	–	434,017	
Total non-current assets	434,017	–	–	434,017	
Non-current liabilities					
Payables	67	–	–	67	
Borrowings	6,282	–	–	6,282	
Provisions	944	–	–	944	
Total Non-current liabilities	7,293	–	–	7,293	
Net assets	444,689	–	–	444,689	
Equity					
Accumulated surplus	177,095	–	–	177,095	
Revaluation reserves	267,594	–	–	267,594	
Council equity interest	444,689	–	–	444,689	
Total equity	444,689	–	–	444,689	

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	10,669	–	–	10,669	
User charges and fees	7,801	–	–	7,801	
Other revenues	16	–	–	16	
Grants and contributions provided for operating purposes	9,991	–	–	9,991	
Grants and contributions provided for capital purposes	9,704	–	–	9,704	
Interest and investment income	185	–	–	185	
Total Income from continuing operations	38,366	–	–	38,366	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	8,807	–	–	8,807	
Borrowing costs	205	–	–	205	
Materials and contracts	6,172	–	–	6,172	
Depreciation and amortisation	7,877	–	–	7,877	
Other expenses	2,196	–	–	2,196	
Net losses from the disposal of assets	2,529	–	–	2,529	
Total Expenses from continuing operations	27,786	–	–	27,786	
Total Operating result from continuing operations	10,580	–	–	10,580	
Net operating result for the year	10,580	–	–	10,580	
Total comprehensive income	(7,889)	–	–	(7,889)	

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets ¹	–	–	–
Total assets	–	–	–
Contract liabilities	–	–	–
Total liabilities	–	–	–
Accumulated surplus	–	–	–
Total equity	–	–	–

(1) There were no contract asset or liability balances as at 1 July 2019

(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

As a result of the practical expedients applied, Council has not recognised a right of use asset or lease liability as Council does not have any.

Council as a lessor

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

There have been no adjustments to the current year figures as a result of the adoption of AASB 16.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	16,394	13,211
Balance as per the Statement of Cash Flows		16,394	13,211
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		10,580	7,865
Adjust for non-cash items:			
Depreciation and amortisation		7,877	7,463
Net losses/(gains) on disposal of assets		2,529	2,927
Non-cash capital grants and contributions		(57)	–
Unwinding of discount rates on reinstatement provisions		4	9
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,306)	2,725
Increase/(decrease) in provision for impairment of receivables		(3)	1
Decrease/(increase) in inventories		(162)	(97)
Decrease/(increase) in contract assets		(915)	–
Increase/(decrease) in payables		1,151	(212)
Increase/(decrease) in accrued interest payable		26	(1)
Increase/(decrease) in other accrued expenses payable		102	30
Increase/(decrease) in other liabilities		(1,682)	1,416
Increase/(decrease) in provision for employee benefits		125	149
Increase/(decrease) in other provisions		53	(9)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		18,322	22,266
(c) Non-cash investing and financing activities			
Estimated Future Reinstatement Costs		57	(720)
Total non-cash investing and financing activities		57	(720)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Interests in other entities

Subsidiaries, joint arrangements and associates not recognised

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

Name of entity/operation	Principal activity/type of entity	2020 Net loss	2020 Net assets
Newlog	Vehicle Weight Limits	(236)	148

Reasons for non-recognition

The Council is a member of the North-East Weight of Loads Group. The constitution of the group specifies the council as having a part "ownership" of the groups net assets but not one member as having control. The stated objectives of the group include to generally promote the aims of reducing damage to Councils roads by policing of vehicles weight limits.

Council's share of the operations (12.5%) have been deemed as "immaterial" and therefore have not been incorporated into these Financial Statements.

Note 18. Commitments

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

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

Property, plant and equipment

Buildings	–	71
Plant and equipment	–	360
Sewer System Infrastructure	–	78
Total commitments	–	509

These expenditures are payable as follows:

Within the next year	–	509
Total payable	–	509

Sources for funding of capital commitments:

Unexpended grants	–	71
Externally restricted reserves	–	78
Internally restricted reserves	–	360
Total sources of funding	–	509

Details of capital commitments

As at 30 June 2020 Council did not have any contractual capital commitments.

As at 30 June 2019 Council had contractual capital commitments in relation to Kyogle Library, Vehicle Fleet and the Kyogle Sewer Treatment Pond.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies

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

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

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

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

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$ 158,428.47. The last valuation of the Scheme was performed by Richard Boyland FIAA, and covers the period ended 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$74,600. Council's expected contribution to the plan for the next annual reporting period is \$166,386.44.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$74,600.00 as at 30 June 2020.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) Richmond Upper-Clarence Regional Library

Council together with other local government authorities have entered into an agreement to operate a regional library known as the Richmond Upper-Clarence Regional 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.

(iii) Section 7.11 Infrastructure

Council has significant obligations to provide Section 7.11 infrastructure in new release areas. It is possible that funds contributed may be less than the cost of this infrastructure requiring Council to borrow or use general revenue to fund the difference (Refer Note 21).

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management

Risk management

Council's activities expose it to a variety of financial risks including (1) price risk, (2) credit risk, (3) liquidity risk and (4) interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

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.

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	16,394	13,211	16,394	13,211
Receivables	5,691	4,382	5,691	4,382
Total financial assets	22,085	17,593	22,085	17,593
Financial liabilities				
Measured at amortised cost				
Bank overdraft	108	–	108	–
Payables	3,192	3,316	3,192	3,316
Loans/advances	7,016	2,505	8,246	3,051
Total financial liabilities	10,316	5,821	11,546	6,367

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	163	163	(163)	(163)
2019				
Possible impact of a 1% movement in interest rates	132	132	(132)	(132)

(b) Credit risk

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

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

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

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

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

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 20. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	610	42	–	–	–	652
2019						
Gross carrying amount	695	36	–	–	–	731

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	5,043	–	–	–	–	5,043
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2019						
Gross carrying amount	3,658	–	–	–	–	3,658
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Bank overdraft	0.00%	108	–	–	–	108	108
Trade/other payables	0.00%	135	3,057	–	–	3,192	3,192
Loans and advances	2.99%	–	939	3,756	3,866	8,561	7,016
Total financial liabilities		243	3,996	3,756	3,866	11,861	10,316
2019							
Trade/other payables	0.00%	277	3,039	–	–	3,316	3,316
Loans and advances	5.48%	–	552	1,463	1,406	3,421	2,505
Total financial liabilities		277	3,591	1,463	1,406	6,737	5,821

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 11/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
User charges and fees Level of RMS works higher than anticipated.	6,079	7,801	1,722	28% F
Other revenues Insurance claim recoveries higher than anticipated.	6	16	10	167% F
Operating grants and contributions Additional funding approved after original estimates adopted.	6,547	9,991	3,444	53% F
Interest and investment revenue Interest charges on overdue rates lower than anticipated.	323	185	(138)	(43)% U
EXPENSES				
Borrowing costs General fund borrowings not taken up till part way through year.	289	205	84	29% F
Materials and contracts Level of RMS works higher than anticipated. Additional projects approved through revotes.	3,585	6,172	(2,587)	(72)% U
Depreciation and amortisation Roads and Bridges revaluations have increased actual depreciation expense after original estimates adopted.	7,101	7,877	(776)	(11)% U
Net losses from disposal of assets Council does not budget for disposal of infrastructure assets.	106	2,529	(2,423)	(2,286)% U
STATEMENT OF CASH FLOWS				
Cash flows from financing activities Borrowing proceeds not in original estimates.	(692)	4,619	5,311	(767)% F

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/20	–	–	6,745	6,745
Office Equipment	30/06/20	–	–	110	110
Furniture & Fittings	30/06/20	–	–	8	8
Land Operational	30/06/18	–	–	4,392	4,392
Land Community	30/06/18	–	–	1,603	1,603
Land Crown	30/06/18	–	–	1,442	1,442
Land under Roads	30/06/16	–	–	1,746	1,746
Land Improvements	30/06/18	–	–	506	506
Buildings	30/06/18	–	–	15,022	15,022
Other Structures	30/06/18	–	–	3,600	3,600
Roads	31/03/20	–	–	167,693	167,693
Bridges	01/07/18	–	–	121,166	121,166
Footpaths	31/03/20	–	–	2,979	2,979
Earthworks	31/03/20	–	–	14,644	14,644
Stormwater Drainage	30/06/17	–	–	24,920	24,920
Water Supply	30/06/17	–	–	27,291	27,291
Sewerage Network	30/06/17	–	–	28,690	28,690
Swimming Pools	30/06/18	–	–	2,039	2,039
Reinstatement Assets	30/06/20	–	–	88	88
Total infrastructure, property, plant and equipment		–	–	424,684	424,684

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/19	–	–	6,606	6,606
Office Equipment	30/06/19	–	–	122	122
Furniture & Fittings	30/06/19	–	–	8	8
Land Operational	30/06/18	–	–	4,392	4,392
Land Community	30/06/18	–	–	1,603	1,603
Land Crown	30/06/18	–	–	1,442	1,442
Land under Roads	30/06/16	–	–	1,746	1,746
Land Improvements	30/06/18	–	–	529	529
Buildings	30/06/18	–	–	15,033	15,033
Other Structures	30/06/18	–	–	3,703	3,703
Roads	30/06/15	–	–	180,007	180,007
Bridges	01/07/18	–	–	121,831	121,831
Footpaths	30/06/15	–	–	3,083	3,083
Earthworks	30/06/15	–	–	16,157	16,157
Stormwater Drainage	30/06/17	–	–	25,298	25,298
Water Supply	30/06/17	–	–	27,336	27,336
Sewerage Network	30/06/17	–	–	28,547	28,547
Swimming Pools	30/06/18	–	–	2,089	2,089
Reinstatement Assets	30/06/19	–	–	44	44
Total infrastructure, property, plant and equipment		–	–	439,576	439,576

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

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

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

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

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

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, servers etc.
- Furniture & Fittings - Chairs & desks etc.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Operational & Community Land & Land Improvements

The key unobservable input to the valuation of these classes of assets is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by AssetVal Pty Ltd, Director Robert Lee Muller BSc (Hons) MRICS MAPM MAIPM AAPI, Chartered Valuation Surveyor.

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 quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal.

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

Crown Land

Council's Crown Land (including land 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. Many of these parcels of land have no feasible alternative use, such as parks and reserves. Community land is valued using the 'Market Approach'.

Fair value is derived by adjusting observable market inputs using unobservable inputs. The resulting measurement is categorised within level 3. Crown Land was revalued as at 30 June 2018. There has been no change to the valuation process during the reporting period.

Land Under Roads

Land under roads has been valued using the Englobo method for nearby or adjacent Community Land having regard to the highest and best use for this land.

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

Buildings - Non-Specialised & Specialised

Buildings were valued by AssetVal Pty Ltd at 30 June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected inputs such as pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

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

Other Structures

These assets include all other structures not included in the category of Buildings. Examples include statues, fences, monuments and clocktowers. Other Structures were valued by AssetVal Pty Ltd at 30 June 2018 using the cost approach. The approach estimated the replacement cost for each structure by componentising the structures into significant parts with different useful lives and taking into account a range of factors. While all structures were physically inspected inputs such as pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Roads & Footpaths (including Bulk Earthworks)

Roads & Footpaths were revalued at 31 March 2020 by internal staff valuation. The calculation of unit rates has been based on a series of project construction costs. A sample of 6 projects was taken which represents a range of construction types. The costs used in the analysis were based on figures derived from Council 'Work Order' system. The total cost and area for each project were used to derive an average unit cost. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and road type. This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

This asset class includes the road formation (bulk earthworks) road pavement and road seal, along with other road assets including kerb and guttering, guardrail and roadside furniture including signs and other traffic management devices. The cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

Bridges

Bridges were revalued at 1 July 2018 by internal staff valuation. The calculation of unit rates has been based on a series of project construction costs (estimated or actual). For each bridge treatment type a sample of 5 projects was taken which represent a range of bridge sizes and construction types. The costs used in the analysis were based on figures derived from Council 'Work Order' system or from estimates provided by Council's bridge construction supervisor. For both the timber and concrete bridges the total cost and area for each component were used to derive an average unit cost for the component. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of road. This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

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

Drainage Infrastructure

Assets within this class comprise pits and pipes.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Water Supply

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

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Department of Primary Industries - Office of Water.

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

Sewerage Network

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

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Department of Primary Industries - Office of Water.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community land
2019					
Opening balance	6,776	172	9	4,392	1,603
Purchases (GBV)	1,227	38	–	–	–
Disposals (WDV)	(246)	–	–	–	–
Depreciation and impairment	(1,151)	(88)	(1)	–	–
Closing balance	6,606	122	8	4,392	1,603
2020					
Opening balance	6,606	122	8	4,392	1,603
Purchases (GBV)	1,635	74	–	–	–
Disposals (WDV)	(306)	–	–	–	–
Depreciation and impairment	(1,190)	(86)	–	–	–
Closing balance	6,745	110	8	4,392	1,603

\$ '000	Crown lands	Land under Roads	Land improvements	Buildings non specialised	Building specialised
2019					
Opening balance	1,442	1,746	530	2,051	11,099
Purchases (GBV)	–	–	–	–	1,637
Depreciation and impairment	–	–	(22)	(61)	(328)
FV gains / (losses) – other comprehensive income	–	–	21	140	495
Closing balance	1,442	1,746	529	2,130	12,903
2020					
Opening balance	1,442	1,746	529	2,130	12,903
Purchases (GBV)	–	–	–	200	333
Depreciation and impairment	–	–	(23)	(65)	(356)
FV gains / (losses) – other comprehensive income	–	–	–	(55)	(68)
Closing balance	1,442	1,746	506	2,210	12,812

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

\$ '000	Other structures	Roads	Bridges	Footpaths	Bulk earthworks
2019					
Opening balance	3,323	171,630	94,126	3,047	15,412
Purchases (GBV)	427	9,892	5,639	–	373
Disposals (WDV)	(5)	(951)	(1,950)	–	(30)
Depreciation and impairment	(195)	(3,782)	(1,130)	(56)	–
FV gains / (losses) – other comprehensive income	153	3,218	25,146	92	402
Closing balance	3,703	180,007	121,831	3,083	16,157
2020					
Opening balance	3,703	180,007	121,831	3,083	16,157
Purchases (GBV)	193	7,417	4,900	26	–
Disposals (WDV)	–	(485)	(1,808)	–	–
Depreciation and impairment	(206)	(6,089)	(1,988)	(60)	–
FV gains / (losses) – other comprehensive income	(91)	(13,158)	(1,768)	(70)	(1,513)
Closing balance	3,599	167,692	121,167	2,979	14,644

\$ '000	Stormwater drainage	Water supply network	Sewerage network
2019			
Opening balance	24,940	27,126	27,165
Purchases (GBV)	57	115	748
Disposals (WDV)	(8)	–	(104)
Depreciation and impairment	(70)	(295)	(185)
FV gains / (losses) – other comprehensive income	379	390	923
Closing balance	25,298	27,336	28,547
2020			
Opening balance	25,298	27,336	28,547
Purchases (GBV)	810	241	–
Disposals (WDV)	(138)	(78)	(14)
Depreciation and impairment	(73)	(301)	(192)
FV gains / (losses) – other comprehensive income	(975)	92	348
Closing balance	24,922	27,290	28,689

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

\$ '000	Swimming pools	Reinstatement assets	Total
2019			
Opening balance	2,086	803	399,478
Purchases (GBV)	–	–	20,153
Disposals (WDV)	–	–	(3,294)
Depreciation and impairment	(69)	(30)	(7,463)
FV gains / (losses) – other comprehensive income	72	–	31,431
Reinstatement Remeasurement	–	(729)	(729)
Closing balance	2,089	44	439,576
2020			
Opening balance	2,089	44	439,576
Purchases (GBV)	–	–	15,829
Disposals (WDV)	–	–	(2,829)
Depreciation and impairment	(71)	(7)	(10,707)
FV gains / (losses) – other comprehensive income	21	–	(17,237)
Reinstatement Remeasurement	–	52	52
Closing balance	2,039	89	424,684

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

b. The valuation process for level 3 fair value measurements

Fair Value Hierarchy

AASB 13 Fair Value measurement requires disclosure of fair value measurement by level of input, using the following hierarchy:

- * Level 1 - Quoted prices (unadjusted) 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 - Unobservable inputs for asset or liability.

Fair Value Techniques

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

'Cost Approach': A valuation technique that reflects the amount that would be required to replace the service capacity of an asset (current replacement cost).

'Income Approach': A valuation technique that converts future amounts (cash inflows / outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

'Market Approach': A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

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 (i.e. level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Level 2 valuation process for some asset classes where the basis was Cost Approach under Level 2 input, whereby maximising observable inputs and minimising unobservable inputs as below:

- * Quoted prices for similar asset in active markets
- * Current replacement cost concept
- * Purchase price
- * Useful life

Level 3 valuation process for some asset classes where the basis was Cost Approach. The inputs used for this technique were:

- * Pattern of consumption
- * Asset condition
- * Unit rates
- * Useful life

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	852	879
Post-employment benefits	67	68
Other long-term benefits	25	18
Total	944	965

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2020						
Employee expenses relating to close family members of KMP	1	84	–		–	–
2019						
Employee expenses relating to close family members of KMP	1	83	–		–	–

1 One (1) close family member of Council's KMP is employed by the Council under the relevent pay award on an arms length basis

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. 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 25. 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			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Roads	87	58	–	1	(58)	–	88	–
Open space	20	–	–	1	–	–	21	–
S7.11 contributions – under a plan	107	58	–	2	(58)	–	109	–
Total S7.11 and S7.12 revenue under plans	107	58	–	2	(58)	–	109	–
S64 contributions	53	–	–	1	–	–	54	–
Total contributions	160	58	–	3	(58)	–	163	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 1

Roads	87	58	–	1	(58)	–	88	–
Open space	20	–	–	1	–	–	21	–
Total	107	58	–	2	(58)	–	109	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	8,538	886	1,245
User charges and fees	6,702	827	272
Interest and investment revenue	183	1	1
Other revenues	16	–	–
Grants and contributions provided for operating purposes	9,951	40	–
Grants and contributions provided for capital purposes	9,274	430	–
Total income from continuing operations	34,664	2,184	1,518
Expenses from continuing operations			
Employee benefits and on-costs	8,220	331	256
Borrowing costs	88	56	61
Materials and contracts	4,578	951	643
Depreciation and amortisation	7,384	301	192
Other expenses	1,952	173	71
Net losses from the disposal of assets	2,437	78	14
Total expenses from continuing operations	24,659	1,890	1,237
Operating result from continuing operations	10,005	294	281
Net operating result for the year	10,005	294	281
Net operating result attributable to each council fund	10,005	294	281
Net operating result for the year before grants and contributions provided for capital purposes	731	(136)	281

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	15,762	184	448
Receivables	5,182	319	190
Inventories	1,532	–	–
Contract assets	915	–	–
Total current assets	23,391	503	638
Non-current assets			
Infrastructure, property, plant and equipment	377,303	27,855	28,859
Total non-current assets	377,303	27,855	28,859
TOTAL ASSETS	400,694	28,358	29,497
LIABILITIES			
Current liabilities			
Payables	3,019	101	5
Borrowings	600	218	24
Provisions	2,392	104	104
Total current liabilities	6,011	423	133
Non-current liabilities			
Payables	67	–	–
Borrowings	4,448	1,047	787
Provisions	944	–	–
Total non-current liabilities	5,459	1,047	787
TOTAL LIABILITIES	11,470	1,470	920
Net assets	389,224	26,888	28,577
EQUITY			
Accumulated surplus	152,811	15,021	9,263
Revaluation reserves	236,413	11,867	19,314
Council equity interest	389,224	26,888	28,577
Total equity	389,224	26,888	28,577

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(a). Statement of performance measures – consolidated results

\$ '000	Amounts	Indicator	Prior periods			Benchmark
	2020	2020	2019	2018	2017	
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	3,405	11.88%	8.55%	8.98%	17.19%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	28,662					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	18,464	48.13%	56.19%	52.00%	49.56%	>60.00%
Total continuing operating revenue	38,366					
3. Unrestricted current ratio						
Current assets less all external restrictions	21,873	5.95x	3.76x	5.63x	6.32x	>1.50x
Current liabilities less specific purpose liabilities	3,679					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	11,487	16.55x	24.94x	21.21x	27.88x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	694					
5. Rates, annual charges, interest and extra charges outstanding percentage						
Rates, annual and extra charges outstanding	652	5.80%	6.86%	6.89%	7.21%	<10.00%
Rates, annual and extra charges collectible	11,237					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	16,394	10.78 mths	9.73 mths	11.12 mths	17.20 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	1,521					

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	12.84%	9.07%	(7.75)%	(3.36)%	18.51%	13.58%	>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	44.54%	52.76%	78.48%	97.13%	100.00%	99.93%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	5.95x	3.76x	1.19x	1.64x	4.80x	2.60x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	18.60x	199.50x	3.95x	1.13x	8.75x	5.35x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.52%	5.17%	11.25%	13.63%	9.21%	11.56%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.22	11.26	1.29	2.73	5.12	1.24	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

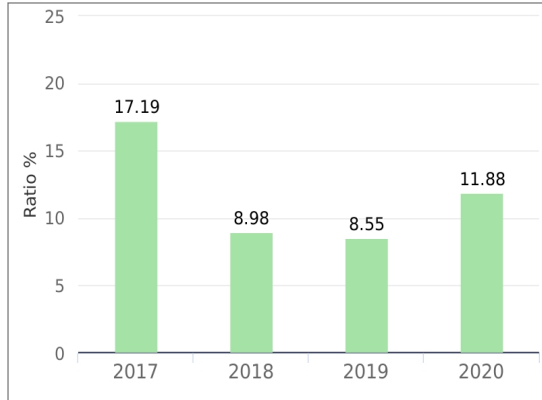
(1) - (2) Refer to Notes at Note 23a above.

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

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

Note 27(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 11.88%

Council's Operating Performance Ratio is above the benchmark of 0%. Council has developed strategies & actions within its delivery & operational plan as well as the long term financial plan to improve its operating performance.

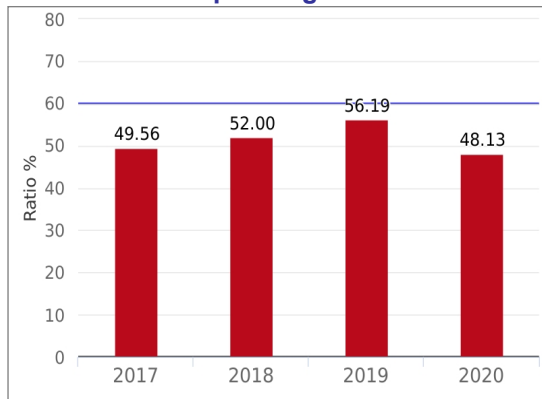
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 48.13%

This ratio can fluctuate dramatically each year depending on the level of grant funding. Clarence Way funding of \$5.0 million, Bushfire Recovery funding of \$1.4 million and advance payment of financial assistance grants of \$2.4 million have impacted this ratio.

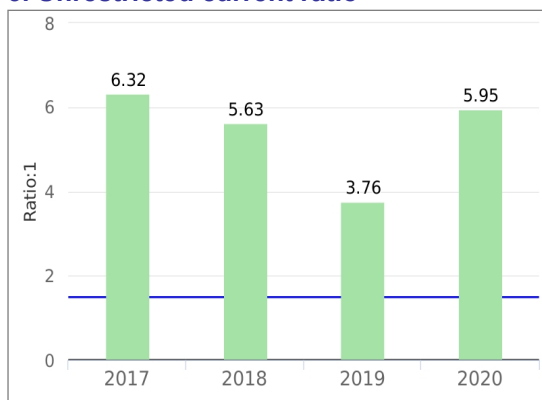
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 5.95x

Council has adequate unrestricted cash and internal reserves to satisfy its current obligations and has adequate levels of internally restricted funds to meet identified needs.

Benchmark: — > 1.50x

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

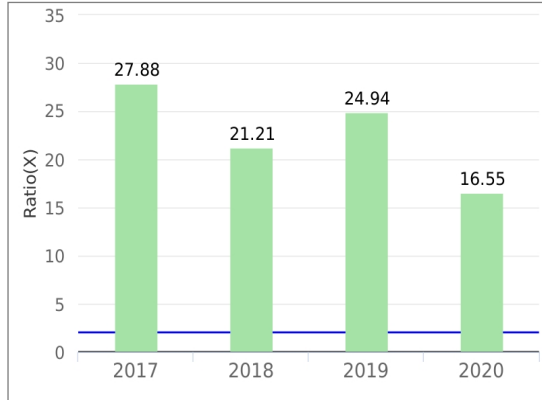
Ratio achieves benchmark

Ratio is outside benchmark

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

Note 27(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 16.55x

Council's ability to generate sufficient cash to cover its debt payments is sound and is far in excess of the required benchmark.

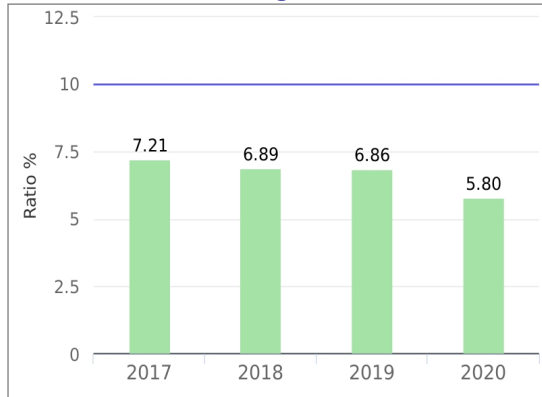
Benchmark: — > 2.00x

■ Ratio achieves benchmark

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

■ Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 5.80%

This ratio is within the required benchmark of <10.00%. Council will continue to monitor and pursue all outstanding debts.

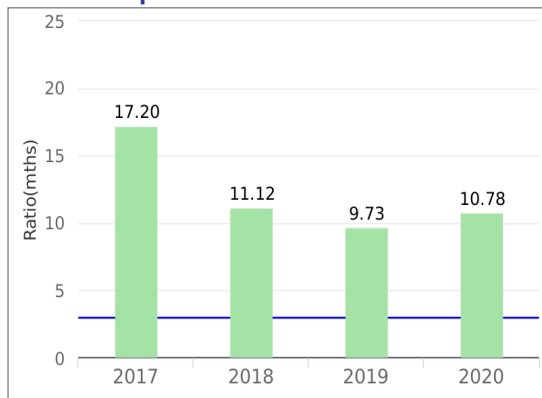
Benchmark: — < 10.00%

■ Ratio achieves benchmark

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

■ Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 10.78 mths

Council's ability to continue paying for its immediate expenses without additional cash inflow is sound and is in excess of the required benchmark.

Benchmark: — > 3.00mths

■ Ratio achieves benchmark

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

■ Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Kyogle Council

To the Councillors of Kyogle Council

Opinion

I have audited the accompanying financial statements of Kyogle 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:

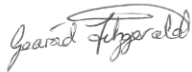
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



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

25 November 2020
SYDNEY



Danielle Mulholland
 Mayor
 Kyogle Council
 PO Box 11
 KYOGLE NSW 2474

Contact: Gearoid Fitzgerald
 Phone no: 9275 7392
 Our ref: D/1749

25 November 2020

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	10.7	10.1	5.9
User charges and fees	7.8	9.8	20.4
Grants and contributions revenue	19.7	15.4	27.9
Materials and contracts	6.2	6.5	4.6

Depreciation and amortisation	7.9	7.5	5.3
Operating result from continuing operations	10.6	7.9	34.2
Net operating result before capital grants and contributions	0.9	(0.6)	250.0

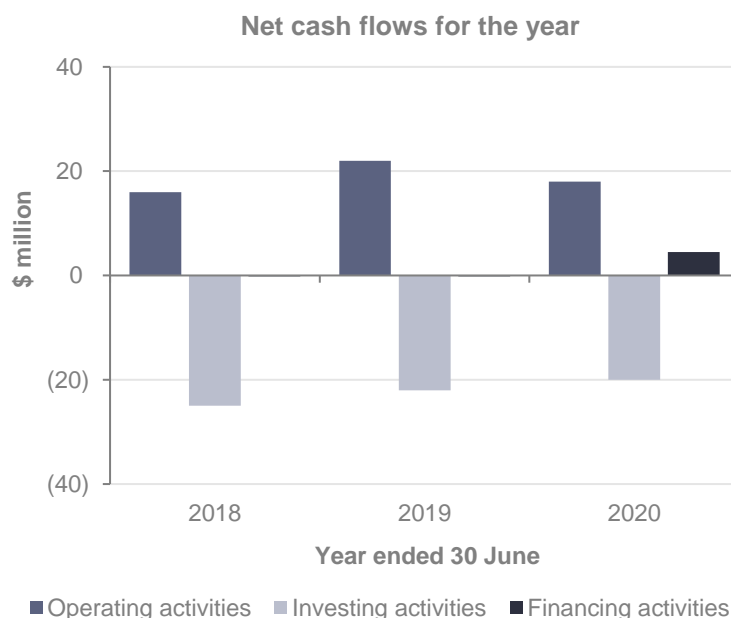
The Council's operating result from continuing operations (\$10.6 million including depreciation and amortisation expense of \$7.9 million) was \$2.7 million higher than the 2018–19 result. The increase is largely attributable to the following:

- Rates and annual charges revenue (\$10.7 million) increased by \$0.6m (5.9 per cent) in 2019–20, inclusive of the 5.44 per cent approved Special Rate Variation.
- Grants and contributions revenue (\$19.7 million) increased by \$4.3m (27.9 per cent) in 2019–20 mainly due to:
 - \$3.0 million net increase in overall operating grants. 2019–20 included additional funding for community projects (\$1.8 million) and additional funding for transport (\$1.5 million). This has been off-set by Council not receiving storm funding in 2019-20 (\$0.4m in 2018-19).
 - \$1.2 million increase in capital grants for transport.
- User charges and fees (\$7.8 million) decreased by \$2.0 million (20.4 per cent) primarily due to decreased works for RMS.

STATEMENT OF CASH FLOWS

Net cash provided by operating activities decreased by \$3.9 million. This is largely due to decreased user charges and fees received and an increase in the amounts of bonds and retentions refunded during the year.

- Net cash used in investing activities decreased by \$2.3 million. The majority of the decrease relates to reduced additions to PPE.
- Net cash provided by financing activities increased by \$4.8 million primarily relating to new borrowings of \$5.0 million received during 2019-20.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	2.0	2.4	• Externally restricted cash and investments has decreased by \$0.4 million.
Internal restrictions	11.5	7.4	
Unrestricted	2.9	3.4	• The level of internally restricted cash and investments has increased by \$4.1 million.
Cash and investments	16.4	13.2	

PERFORMANCE

Performance measures

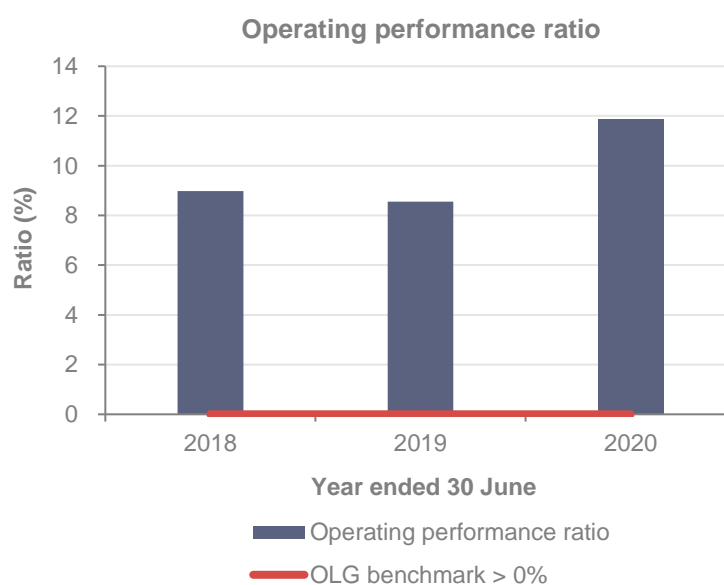
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

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 achieved the OLG benchmark for the current and previous reporting periods.

The improvement in Councils 2019–20 operating result (before all capital items) was primarily the result of increased operating grant income which has led to an improved operating performance ratio compared to prior years.

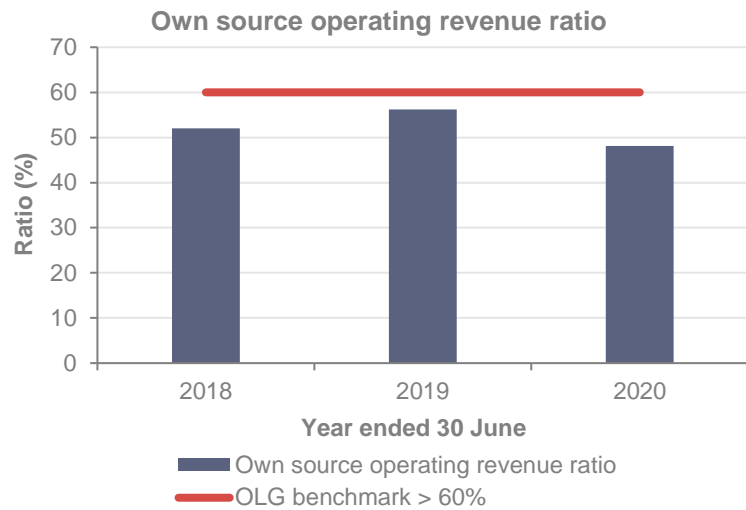


Own source operating revenue ratio

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 has not met the OLG benchmark for the current or comparative reporting periods.

The ratio was negatively impacted in 2019–20 due to higher levels of capital grants and contributions.

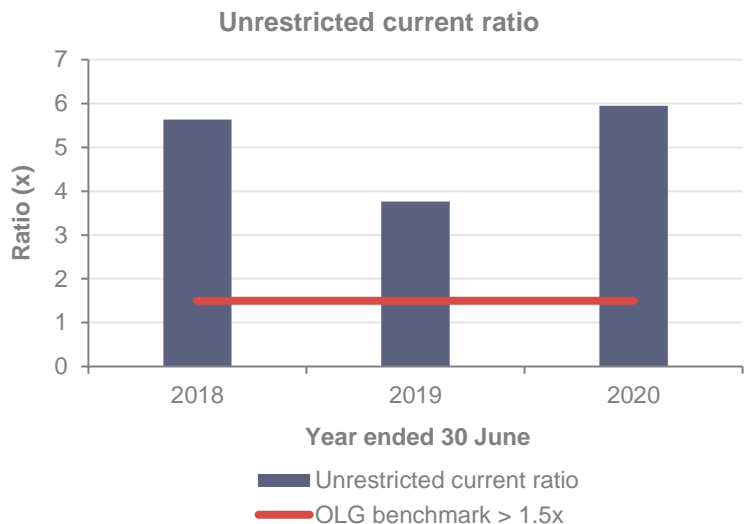


Unrestricted current ratio

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

The Council exceeded the OLG benchmark for the current and comparative reporting periods.

Council's current liabilities (less specific purpose liabilities) have decreased in the current year, resulting in an increase in the ratio at 30 June 2020.

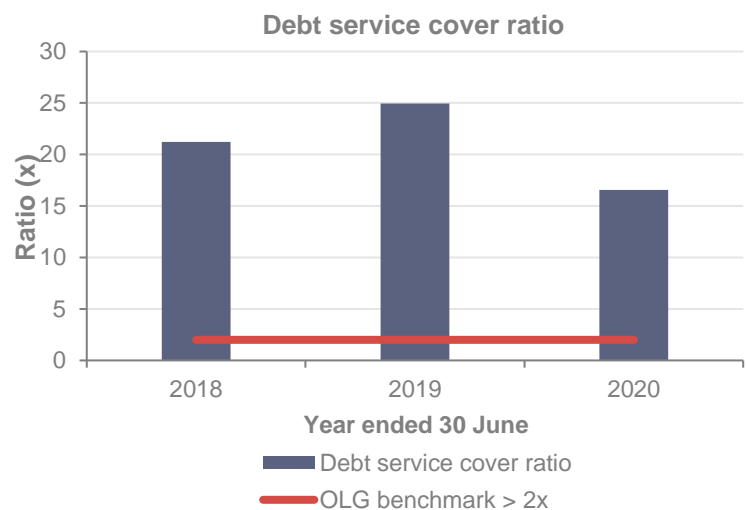


Debt service cover ratio

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 and comparative reporting periods.

Debt service levels have reduced from 2018-19 however remain significantly above the benchmark.

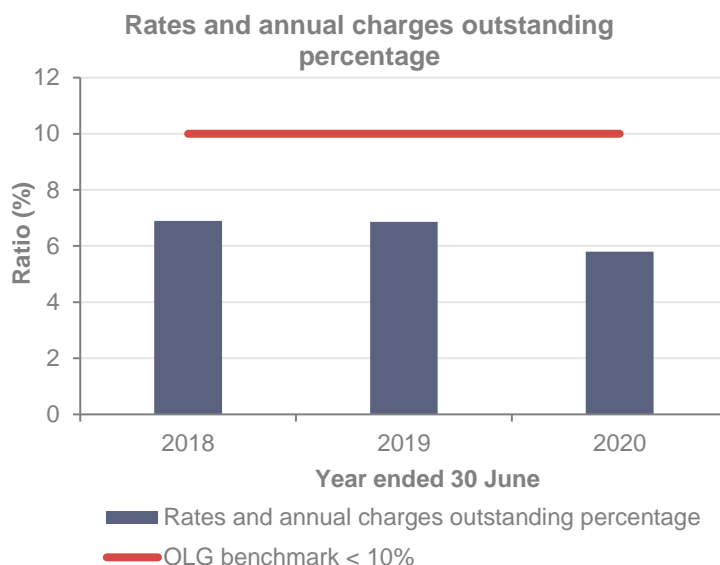


Rates and annual charges outstanding percentage

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

The Council met the OLG benchmark for the current and comparative reporting periods.

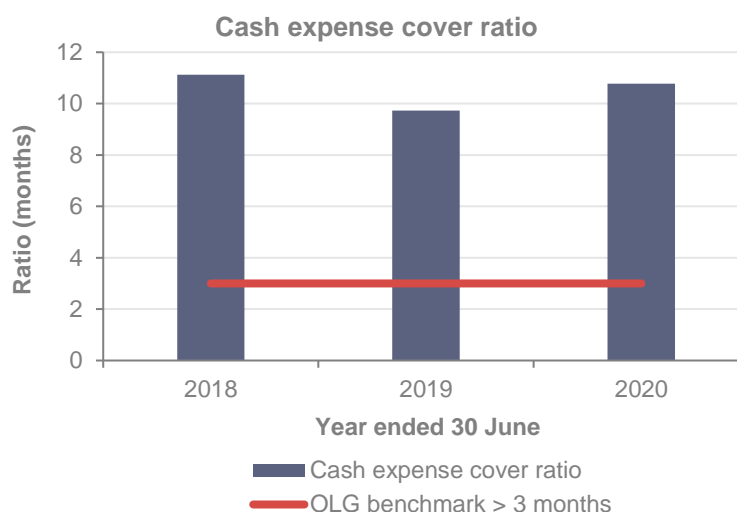
The ratio has remained relatively consistent with 2018-19.



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 and comparative reporting periods.



Infrastructure, property, plant and equipment renewals

Council's asset renewal expenditure in the 2019–20 year was \$15.6 million (2018–19 - \$16.8 million). In 2019–20 major renewal projects included the Findon Creek and Williams Road Bridges as well as renewal of several rural and regional roads across Council.

OTHER MATTERS

Impact of new accounting standards

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

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

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and

amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

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

The Council 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 disclosed the impact of adopting AASB 16 in Note 12.

Legislative compliance

My audit procedures did not identify any material 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: Graham Kennett, General Manager
Mr Andrew Stevens, Chair of the Internal Audit Committee

Kyogle Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



Special Purpose Financial Statements

for the year ended 30 June 2020

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Background

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

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

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

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

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

Kyogle Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 09 November 2020.



Danielle Mulholland
Mayor
09 November 2020



John Burley
Councillor
09 November 2020



Graham Kennett
General Manager
09 November 2020



Glenn Rose
Responsible Accounting Officer
09 November 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	886	838
User charges	816	773
Fees	11	9
Interest	1	3
Grants and contributions provided for non-capital purposes	40	46
Total income from continuing operations	1,754	1,669
Expenses from continuing operations		
Employee benefits and on-costs	331	346
Borrowing costs	56	66
Materials and contracts	951	835
Depreciation, amortisation and impairment	301	295
Loss on sale of assets	78	–
Other expenses	173	183
Total expenses from continuing operations	1,890	1,725
Surplus (deficit) from continuing operations before capital amounts	(136)	(56)
Grants and contributions provided for capital purposes	430	2
Surplus (deficit) from all operations before tax	294	(54)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	294	(54)
Plus opening accumulated surplus	14,727	14,780
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	–
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing accumulated surplus	15,021	14,726
Return on capital %	(0.3)%	0.0%
Subsidy from Council	2	–
Calculation of dividend payable:		
Surplus (deficit) after tax	294	(54)
Less: capital grants and contributions (excluding developer contributions)	(430)	(2)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	1,245	1,181
User charges	217	210
Liquid trade waste charges	55	56
Interest	1	4
Total income from continuing operations	1,518	1,451
Expenses from continuing operations		
Employee benefits and on-costs	256	275
Borrowing costs	61	62
Materials and contracts	643	660
Depreciation, amortisation and impairment	192	185
Loss on sale of assets	14	104
Other expenses	71	72
Total expenses from continuing operations	1,237	1,358
Surplus (deficit) from continuing operations before capital amounts	281	93
Grants and contributions provided for capital purposes	–	1
Surplus (deficit) from continuing operations after capital amounts	281	94
Surplus (deficit) from all operations before tax	281	94
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(77)	(26)
SURPLUS (DEFICIT) AFTER TAX	204	68
Plus opening accumulated surplus	8,982	8,888
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	77	26
Closing accumulated surplus	9,263	8,982
Return on capital %	1.2%	0.5%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	204	68
Less: capital grants and contributions (excluding developer contributions)	–	(1)
Surplus for dividend calculation purposes	204	67
Potential dividend calculated from surplus	102	34

Income Statement – Domestic Waste

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
Access charges	1,008	953
Interest	2	4
Total income from continuing operations	<u>1,010</u>	<u>957</u>
Expenses from continuing operations		
Materials and contracts	750	1,093
Total expenses from continuing operations	<u>750</u>	<u>1,093</u>
Surplus (deficit) from continuing operations before capital amounts	260	(136)
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	<u>260</u>	<u>(136)</u>
Surplus (deficit) from all operations before tax	260	(136)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(72)	–
SURPLUS (DEFICIT) AFTER TAX	<u>188</u>	<u>(136)</u>
Plus opening accumulated surplus	(215)	(79)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	72	–
Closing accumulated surplus	<u>45</u>	<u>(215)</u>
Return on capital %	0.0%	0.0%
Subsidy from Council	–	136

Income Statement – Quarries

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	1,665	2,171
Total income from continuing operations	<u>1,665</u>	<u>2,171</u>
Expenses from continuing operations		
Employee benefits and on-costs	170	179
Borrowing costs	3	6
Materials and contracts	915	1,377
Depreciation, amortisation and impairment	13	37
Total expenses from continuing operations	<u>1,101</u>	<u>1,599</u>
Surplus (deficit) from continuing operations before capital amounts	564	572
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	<u>564</u>	<u>572</u>
Surplus (deficit) from all operations before tax	564	572
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(155)	(157)
SURPLUS (DEFICIT) AFTER TAX	<u>409</u>	<u>415</u>
Plus opening accumulated surplus	842	330
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	155	157
Less:		
– Dividend paid	(300)	(60)
Closing accumulated surplus	<u>1,106</u>	<u>842</u>
Return on capital %	135.3%	135.4%
Subsidy from Council	–	–

Income Statement – Transport

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	5,238	6,677
Total income from continuing operations	<u>5,238</u>	<u>6,677</u>
Expenses from continuing operations		
Employee benefits and on-costs	673	644
Materials and contracts	4,165	5,342
Total expenses from continuing operations	<u>4,838</u>	<u>5,986</u>
Surplus (deficit) from continuing operations before capital amounts	400	691
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	<u>400</u>	<u>691</u>
Surplus (deficit) from all operations before tax	400	691
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(110)	(190)
SURPLUS (DEFICIT) AFTER TAX	<u>290</u>	<u>501</u>
Plus opening accumulated surplus	1,806	1,815
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	110	190
Less:		
– Dividend paid	(800)	(700)
Closing accumulated surplus	<u>1,406</u>	<u>1,806</u>
Return on capital %	0.0%	0.0%
Subsidy from Council	–	–

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	184	371
Receivables	319	304
Total current assets	503	675
Non-current assets		
Infrastructure, property, plant and equipment	27,855	27,503
Total non-current assets	27,855	27,503
TOTAL ASSETS	28,358	28,178
LIABILITIES		
Current liabilities		
Payables	101	98
Borrowings	218	212
Provisions	104	102
Total current liabilities	423	412
Non-current liabilities		
Borrowings	1,047	1,265
Total non-current liabilities	1,047	1,265
TOTAL LIABILITIES	1,470	1,677
NET ASSETS	26,888	26,501
EQUITY		
Accumulated surplus	15,021	14,726
Revaluation reserves	11,867	11,775
TOTAL EQUITY	26,888	26,501

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	448	113
Receivables	190	220
Total current assets	638	333
Non-current assets		
Infrastructure, property, plant and equipment	28,859	28,554
Total non-current assets	28,859	28,554
TOTAL ASSETS	29,497	28,887
LIABILITIES		
Current liabilities		
Payables	5	4
Borrowings	24	22
Provisions	104	102
Total current liabilities	133	128
Non-current liabilities		
Borrowings	787	811
Total non-current liabilities	787	811
TOTAL LIABILITIES	920	939
NET ASSETS	28,577	27,948
EQUITY		
Accumulated surplus	9,263	8,982
Revaluation reserves	19,314	18,966
TOTAL EQUITY	28,577	27,948

Statement of Financial Position – Domestic Waste

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Receivables	153	152
Total current assets	<u>153</u>	<u>152</u>
TOTAL ASSETS	<u>153</u>	<u>152</u>
LIABILITIES		
Current liabilities		
Bank overdraft	108	367
Total current liabilities	<u>108</u>	<u>367</u>
TOTAL LIABILITIES	<u>108</u>	<u>367</u>
NET ASSETS	<u>45</u>	<u>(215)</u>
EQUITY		
Accumulated surplus	45	(215)
TOTAL EQUITY	<u>45</u>	<u>(215)</u>

Statement of Financial Position – Quarries

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	1,226	1,052
Inventories	503	396
Total current assets	1,729	1,448
Non-current assets		
Infrastructure, property, plant and equipment	419	427
Total non-current assets	419	427
TOTAL ASSETS	2,148	1,875
LIABILITIES		
Non-current liabilities		
Provisions	585	576
Total non-current liabilities	585	576
TOTAL LIABILITIES	585	576
NET ASSETS	1,563	1,299
EQUITY		
Accumulated surplus	1,106	842
Revaluation reserves	457	457
TOTAL EQUITY	1,563	1,299

Statement of Financial Position – Transport

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	–	965
Receivables	1,852	841
Total current assets	1,852	1,806
TOTAL ASSETS	1,852	1,806
LIABILITIES		
Current liabilities		
Bank overdraft	446	–
Total current liabilities	446	–
TOTAL LIABILITIES	446	–
NET ASSETS	1,406	1,806
EQUITY		
Accumulated surplus	1,406	1,806
TOTAL EQUITY	1,406	1,806

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. Transport

Contract Road Construction and Maintenance

Category 2

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

a. Water

Water Supply

b. Sewer

Sewerage Services

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

c. Domestic Waste

Domestic Waste Management

d. Quarries

Quarrying Operations

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

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

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

Note 1. Significant Accounting Policies (continued)

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Note 1. Significant Accounting Policies (continued)

In accordance with the Best Practice Management of Water Supply and Sewer 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
Kyogle Council

To the Councillors of Kyogle Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Kyogle 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
- Domestic waste
- Quarries
- Transport.

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:

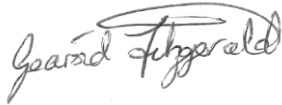
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.

A handwritten signature in cursive script that reads "Gearoid Fitzgerald". The signature is written in black ink and is positioned above the printed name and title.

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

25 November 2020
SYDNEY

Kyogle Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	7,322	6,923
Plus or minus adjustments ²	b	50	15
Notional general income	c = a + b	7,372	6,938
Permissible income calculation			
Special variation percentage ³	d	0.00%	5.44%
Or rate peg percentage	e	2.60%	0.00%
Plus special variation amount	h = d x (c + g)	–	377
Or plus rate peg amount	i = e x (c + g)	192	–
Sub-total	k = (c + g + h + i + j)	7,564	7,315
Plus (or minus) last year's carry forward total	l	18	25
Sub-total	n = (l + m)	18	25
Total permissible income	o = k + n	7,582	7,340
Less notional general income yield	p	7,547	7,322
Catch-up or (excess) result	q = o – p	35	18
Carry forward to next year ⁶	t = q + r + s	35	18

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.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (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
Kyogle Council

To the Councillors of Kyogle Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Kyogle 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:

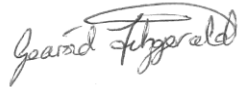
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

25 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 to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
(a) Report on Infrastructure Assets - Values													
Buildings	Buildings	462	462	98	230	15,022	30,060	19.7%	61.3%	17.3%	1.7%	0.0%	
	Sub-total	462	462	98	230	15,022	30,060	19.7%	61.3%	17.3%	1.7%	0.0%	
Other structures	Other structures	38	38	121	84	3,600	6,801	37.5%	33.9%	28.1%	0.6%	0.0%	
	Sub-total	38	38	121	84	3,600	6,801	37.5%	33.9%	28.1%	0.6%	0.0%	
Roads	Sealed roads	10,045	10,045	1,736	1,900	129,865	179,569	43.4%	38.9%	12.3%	4.7%	0.7%	
	Unsealed roads	3,154	3,154	1,828	1,421	37,827	57,574	23.7%	53.1%	16.5%	5.6%	1.2%	
	Bridges	7,293	7,293	520	446	122,767	166,824	53.3%	21.8%	20.1%	4.9%	0.0%	
	Footpaths	104	104	92	44	2,979	3,702	57.6%	20.3%	18.4%	3.2%	0.5%	
	Bulk earthworks	–	–	–	–	14,644	14,644	100.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	20,596	20,596	4,176	3,811	308,082	422,313	46.7%	32.5%	15.6%	4.7%	0.5%	
Water supply network	Water supply network	18	18	275	540	27,291	32,911	62.0%	14.2%	23.7%	0.1%	0.0%	
	Sub-total	18	18	275	540	27,291	32,911	62.0%	14.2%	23.7%	0.1%	0.0%	
Sewerage network	Sewerage network	1,185	1,185	211	297	28,690	34,154	64.4%	14.2%	16.1%	3.8%	1.6%	
	Sub-total	1,185	1,185	211	297	28,690	34,154	64.4%	14.2%	16.1%	3.8%	1.6%	
Stormwater drainage	Stormwater drainage	1,190	1,190	46	43	24,920	28,771	92.2%	0.0%	2.7%	0.8%	4.3%	
	Sub-total	1,190	1,190	46	43	24,920	28,771	92.2%	0.0%	2.7%	0.8%	4.3%	
Open space / recreational assets	Swimming pools	–	–	61	109	2,039	5,502	0.0%	19.8%	80.2%	0.0%	0.0%	
	Sub-total	–	–	61	109	2,039	5,502	0.0%	19.8%	80.2%	0.0%	0.0%	
TOTAL - ALL ASSETS		23,489	23,489	4,988	5,114	409,644	560,512	49.0%	30.1%	16.3%	3.9%	0.7%	

(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)	4 Poor	Renewal required
2 Good	Only minor maintenance work required	5 Very poor	Urgent renewal/upgrading required
3 Satisfactory	Maintenance work required		

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	2019	Prior periods 2018 2017		Benchmark
Infrastructure asset performance indicators (consolidated) *						
Buildings and infrastructure renewals ratio ¹						
Asset renewals ²	10,234					
Depreciation, amortisation and impairment	9,401	108.86%	210.94%	318.22%	281.82%	>=100.00%
Infrastructure backlog ratio ¹						
Estimated cost to bring assets to a satisfactory standard	23,489					
Net carrying amount of infrastructure assets	395,000	5.95%	2.86%	4.30%	10.73%	<2.00%
Asset maintenance ratio						
Actual asset maintenance	5,114					
Required asset maintenance	4,988	102.53%	109.27%	95.81%	100.47%	>100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	23,489	4.19%	2.04%	3.05%	7.23%	
Gross replacement cost	560,512					

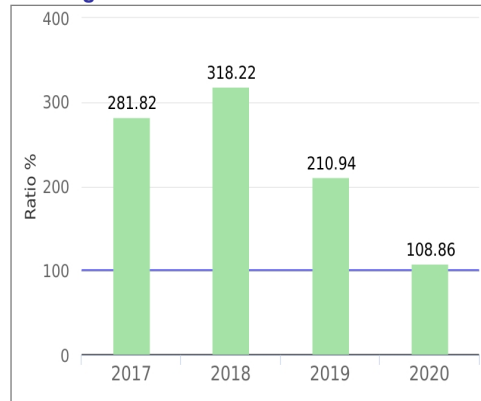
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

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

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on result

19/20 ratio 108.86%

This ratio continues to track within the required benchmark. Council has developed strategies & actions within its delivery & operational plan as well as the long term financial plan to improve the long term management of Council's infrastructure assets.

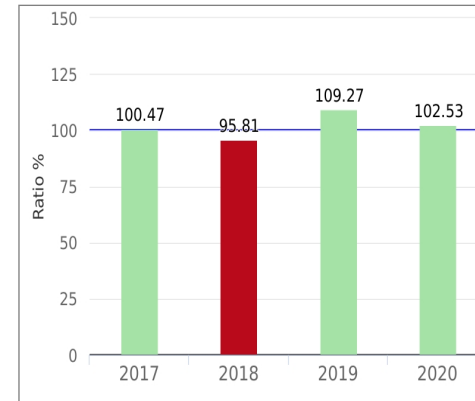
Benchmark: — $\geq 100.00\%$

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 102.53%

This ratio continues to track within the required benchmark. Council has developed strategies & actions within its delivery & operational plan as well as the long term financial plan to improve the long term management of Council's infrastructure assets.

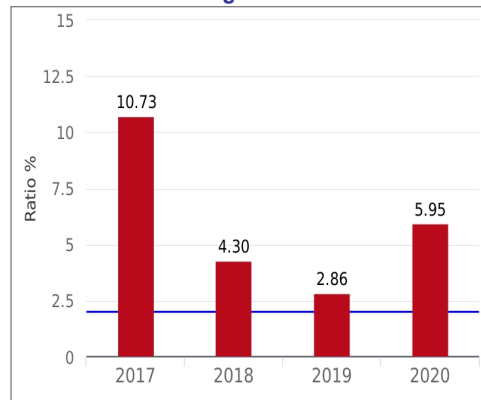
Benchmark: — $> 100.00\%$

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 5.95%

Council acknowledges it's Infrastructure Backlog Ratio is outside Tcorp's benchmark. Council is continually focusing on asset expenditure but like all other NSW council's faces a large impost associated with asset backlogs & maintenance. Council will continue to focus on this area of expenditure.

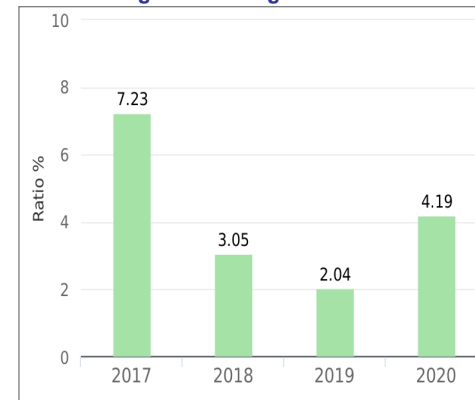
Benchmark: — $< 2.00\%$

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 4.19%

Council is continually focusing on asset expenditure but like all other NSW council's faces a large impost associated with asset backlogs & maintenance. Council will continue to focus on this area of expenditure.

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	113.48%	215.88%	41.53%	17.29%	0.00%	367.57%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	6.30%	2.85%	0.07%	0.14%	4.13%	4.02%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	95.00%	101.94%	196.36%	183.39%	140.76%	170.19%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	4.52%	2.07%	0.05%	0.11%	3.47%	3.40%	

(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.