

Bourke Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

Gateway to the real outback



Bourke Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

Gateway to the real outback



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

29 Mitchell Street
Bourke NSW 2840

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.Bourke.nsw.gov.au.

Bourke Shire Council

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Bourke Shire Council

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

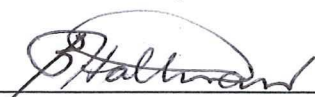
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

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

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

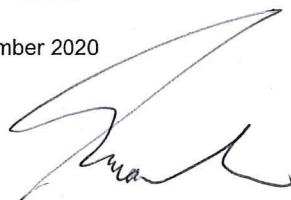
Signed in accordance with a resolution of Council made on 24 August 2020.



Clr Barry Holman

Mayor

18 September 2020



Ross Earl

General Manager

18 September 2020



Clr Lachlan Ford

Councillor

18 September 2020



Leonie Brown

Responsible Accounting Officer

18 September 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020 \$ '000		Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
	Income from continuing operations			
4,437	Rates and annual charges	3a	4,117	3,990
5,665	User charges and fees	3b	3,569	2,911
969	Other revenues	3c	683	1,143
7,068	Grants and contributions provided for operating purposes	3d,3e	13,268	12,417
27,081	Grants and contributions provided for capital purposes	3d,3e	14,158	13,645
360	Interest and investment income	4	537	614
–	Rental income	12e	209	–
–	Net share of interests in joint ventures and associates using the equity method	17	–	3,733
45,580	Total income from continuing operations		36,541	38,453
	Expenses from continuing operations			
7,275	Employee benefits and on-costs	5a	7,616	7,380
220	Borrowing costs	5b	189	181
7,988	Materials and contracts	5c	5,273	4,493
4,637	Depreciation and amortisation	5d	6,065	5,769
768	Other expenses	5e	2,843	2,698
–	Net losses from the disposal of assets	6	496	57
–	Net share of interests in joint ventures and associates using the equity method	17	3,070	–
20,888	Total expenses from continuing operations		25,552	20,578
24,692	Operating result from continuing operations		10,989	17,875
24,692	Net operating result for the year		10,989	17,875
24,691,840	Net operating result attributable to council		10,989	17,875
(2,389,030)	Net operating result for the year before grants and contributions provided for capital purposes		(3,169)	4,230

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
Net operating result for the year (as per Income Statement)		10,989	17,875
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	17,346	422
Total items which will not be reclassified subsequently to the operating result		17,346	422
Total other comprehensive income for the year		17,346	422
Total comprehensive income for the year		28,335	18,297
Total comprehensive income attributable to Council		28,335	18,297

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

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

Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	7,342	3,004
Investments	7(b)	15,644	20,563
Receivables	8	5,919	7,778
Inventories	9a	102	103
Other	9b	–	6
Total current assets		29,007	31,454
Non-current assets			
Receivables	8	224	187
Infrastructure, property, plant and equipment	10(a)	275,564	241,770
Right of use assets	12a	3	–
Investments accounted for using the equity method	17	663	3,733
Total non-current assets		276,454	245,690
Total assets		305,461	277,144
LIABILITIES			
Current liabilities			
Payables	13	2,427	2,856
Income received in advance	13	182	209
Contract liabilities	11	747	–
Lease liabilities	12b	4	–
Borrowings	13	1,095	1,020
Provisions	14	3,462	3,188
Total current liabilities		7,917	7,273
Non-current liabilities			
Borrowings	13	3,678	3,546
Provisions	14	140	102
Total non-current liabilities		3,818	3,648
Total liabilities		11,735	10,921
Net assets		293,726	266,223
EQUITY			
Accumulated surplus	15	164,177	154,020
Revaluation reserves	15	129,549	112,203
Council equity interest		293,726	266,223
Total equity		293,726	266,223

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance		154,020	112,203	266,223	136,145	111,781	247,926
Changes due to AASB 1058 and AASB 15 adoption	15	(832)	–	(832)	–	–	–
Changes due to AASB 16 adoption	15	–	–	–	–	–	–
Opening balance		153,188	112,203	265,391	136,145	111,781	247,926
Net operating result for the year		10,989	–	10,989	17,875	–	17,875
Net operating result for the period		10,989	–	10,989	17,875	–	17,875
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	17,346	17,346	–	422	422
Other comprehensive income		–	17,346	17,346	–	422	422
Total comprehensive income		10,989	17,346	28,335	17,875	422	18,297
Equity – balance at end of the reporting period		164,177	129,549	293,726	154,020	112,203	266,223

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 \$ '000	Actual 2019 \$ '000
Cash flows from operating activities				
<i>Receipts:</i>				
4,437	Rates and annual charges		4,017	3,927
5,665	User charges and fees		5,599	2,524
360	Investment and interest revenue received		704	546
34,149	Grants and contributions		26,000	22,761
–	Bonds, deposits and retention amounts received		42	43
969	Other		2,812	2,649
<i>Payments:</i>				
(7,275)	Employee benefits and on-costs		(7,296)	(7,604)
(7,987)	Materials and contracts		(8,179)	(4,361)
(220)	Borrowing costs		(191)	(182)
–	Bonds, deposits and retention amounts refunded		(53)	(14)
(769)	Other		(4,157)	(3,022)
29,329	Net cash provided (or used in) operating activities	16b	19,298	17,267
Cash flows from investing activities				
<i>Receipts:</i>				
–	Sale of investment securities		31,803	21,365
–	Sale of infrastructure, property, plant and equipment		350	308
<i>Payments:</i>				
–	Purchase of investment securities		(26,884)	(23,432)
(25,612)	Purchase of infrastructure, property, plant and equipment		(20,417)	(16,082)
(25,612)	Net cash provided (or used in) investing activities		(15,148)	(17,841)
Cash flows from financing activities				
<i>Receipts:</i>				
850	Proceeds from borrowings and advances		1,228	1,588
<i>Payments:</i>				
(1,009)	Repayment of borrowings and advances		(1,021)	(836)
–	Lease liabilities (principal repayments)		(19)	–
(159)	Net cash flow provided (used in) financing activities		188	752
3,558	Net increase/(decrease) in cash and cash equivalents		4,338	178
–	Plus: cash and cash equivalents – beginning of year	16a	3,004	2,826
3,558	Cash and cash equivalents – end of the year	16a	7,342	3,004
–	plus: Investments on hand – end of year	7(b)	15,644	20,563
3,558	Total cash, cash equivalents and investments		22,986	23,567

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

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Council has estimated 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.

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

- General purpose operations
- Water service
- Sewerage service

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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 no material reliance on volunteer services and there is no financial impact on the financial statements as presented.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

AASB 1059 Service Concession Arrangements: Grantors

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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).

Functions or activities	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
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Governance	–	–	286	279	(286)	(279)	–	–	–	–
Administration	6,841	6,338	901	816	5,940	5,522	6,382	5,949	29,179	31,474
Public order & safety	373	262	646	580	(273)	(318)	158	–	1,645	1,586
Health	74	86	774	744	(700)	(658)	–	–	875	903
Environment	859	1,738	2,270	1,305	(1,411)	433	105	950	22,047	12,578
Community services & education	638	312	174	225	464	87	8	163	1,695	1,111
Housing & community amenities	248	270	869	622	(621)	(352)	627	540	7,367	6,354
Water supplies	8,759	2,923	3,055	3,087	5,704	(164)	3,658	342	30,025	23,472
Sewerage services	961	951	1,000	977	(39)	(26)	–	7	11,963	11,927
Recreation & culture	1,211	1,697	1,663	1,708	(452)	(11)	1,875	3,121	13,754	12,666
Mining, manufacturing & construction	9	10	30	13	(21)	(3)	–	–	–	–
Transport & communication	14,664	15,301	8,133	7,363	6,531	7,938	7,611	10,129	178,907	163,849
Economic affairs	1,904	4,832	2,681	2,859	(777)	1,973	1,001	1,255	7,341	7,491
Joint arrangements	–	3,733	3,070	–	(3,070)	3,733	–	–	663	3,733
Total functions and activities	36,541	38,453	25,552	20,578	10,989	17,875	21,425	22,456	305,461	277,144

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, Councillors fees, subscriptions to local authority organisations, conduct of Council meetings, legislative compliance and public disclosure.

Administration

Includes costs associated with management and corporate support, staffing, workplace health & safety, engineering and other administrative support services.

Public order & safety

Includes fire protection and management, emergency services, community safety, law enforcement and animal control.

Health

Includes costs relating to the control of public health, management of health centres and food and consumable safety.

Environment

Includes noxious weed and vermin control, environmental protection, waste management, sanitation, street cleaning, stormwater management and levees.

Community services & education

Includes education and pre-school services, aboriginal community services administration, youth services, aged and disability services, family and children's services.

Housing & community amenities

Includes public cemeteries, public conveniences, street lighting, town planning, housing and accommodation services.

Water supplies

Includes management of water schemes, costs of water reticulation, treatment and supply, and management of water infrastructure.

Sewerage services

Includes management of sewerage schemes, costs of sewerage reticulation and treatment, and management of sewer infrastructure.

Recreation & culture

Includes costs relating to the management of public libraries, museums, art centres, community halls, sporting grounds, parks and gardens, swimming pools and other recreation facilities.

Mining, manufacturing & construction

Includes building control, management of quarries & gravel pits, construction activities, abattoirs and mining activities.

Transport & communication

Includes the management, maintenance and construction of public roads, footpaths, kerb and guttering, parking areas, aerodromes and other transport facilities.

Economic affairs

Notes to the Financial Statements

for the year ended 30 June 2020

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

Includes camping & caravan parks, tourism promotion, industrial and economic development, saleyards and other business undertakings.

Joint arrangements

Includes interest in Far North West Joint Organisation of Councils

Note 3. Revenue from continuing operations

	AASB	2020 \$ '000	2019 \$ '000
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	417	406
Farmland	1058 (1)	1,133	1,109
Business	1058 (1)	113	111
Less: pensioner rebates (mandatory)		(15)	(15)
Rates levied to ratepayers		1,648	1,611
Pensioner rate subsidies received	15 (2)	8	8
Total ordinary rates		1,656	1,619
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	307	301
Water supply services	1058 (1)	1,027	983
Sewerage services	1058 (1)	825	791
Drainage	1058 (1)	163	156
Waste management services (non-domestic)	1058 (1)	153	156
Less: pensioner rebates (mandatory)		(32)	(36)
Annual charges levied		2,443	2,351
Pensioner subsidies received:			
– Domestic waste management	15 (2)	5	6
– Urban drainage	15 (2)	2	3
– Water	15 (2)	6	6
– Sewerage	15 (2)	5	5
Total annual charges		2,461	2,371
TOTAL RATES AND ANNUAL CHARGES		4,117	3,990

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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)

	AASB	2020 \$ '000	2019 \$ '000
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	608	698
Waste management services (non-domestic)	15 (2)	73	72
Total specific user charges		681	770
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	15 (2)	9	9
Inspection services	15 (2)	14	6
Planning and building regulation	15 (2)	6	14
Private works – section 67	15 (2)	138	218
Registration fees	15 (2)	2	2
Regulatory fees	15 (2)	4	7
Section 10.7 certificates (EP&A Act)	15 (2)	6	8
Section 603 certificates	15 (2)	4	6
Total fees and charges – statutory/regulatory		183	270
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (2)	–	5
Cemeteries	15 (2)	26	30
Child care	15 (2)	19	18
Leaseback fees – Council vehicles	15 (2)	6	17
Library and art gallery	15 (2)	3	5
Park rents	15 (2)	–	1
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (2)	2,619	1,775
Saleyards	15 (2)	23	6
Water connection fees	15 (2)	9	14
Total fees and charges – other		2,705	1,871
TOTAL USER CHARGES AND FEES		3,569	2,911

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”,

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

2019 accounting policy

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

	AASB	2020 \$ '000	2019 \$ '000
(c) Other revenues			
Rental income – other council properties (2019 only)	15 (1)	–	208
Fines	1058 (1)	1	1
Legal fees recovery – rates and charges (extra charges)	15 (2)	3	–
Commissions and agency fees	15 (2)	104	119
Diesel rebate	15 (1)	131	107
Recycling income (non-domestic)	15 (2)	18	15
Aboriginal communities program	1058 (1)	175	185
Back O’Bourke centre	15 (2)	135	286
Jandra boat	15 (2)	1	52
Tourism	15 (2)	5	1
Other	1058 (1)	110	169
TOTAL OTHER REVENUE		683	1,143

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.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	AASB	Operating 2020 \$ '000	Operating 2019 \$ '000	Capital 2020 \$ '000	Capital 2019 \$ '000
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	2,135	1,910	–	–
Financial assistance – local roads component	1058 (1)	959	1,010	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	2,261	2,042	–	–
Financial assistance – local roads component	1058 (1)	1,018	986	–	–
Total general purpose		6,373	5,948	–	–
Specific purpose					
Water supplies	1058 (2)	41	86	3,616	250
Sewerage services	1058 (2)	–	–	–	2
Economic development	1058 (2)	1,001	1,000	227	1,249
Employment and training programs	1058 (1)	–	160	–	–
Environmental programs	1058 (1)	–	974	–	–
Floodplain management	1058 (1)	48	–	–	–
Heritage and cultural	1058 (2)	14	83	581	60
Library	1058 (1)	2	2	–	–
Library – per capita	1058 (1)	68	23	–	–
LIRS subsidy	1058 (1)	10	12	–	–
Noxious weeds	1058 (1)	43	24	–	–
Recreation and culture	1058 (2)	41	166	1,085	1,379
Street lighting	1058 (1)	35	35	–	–
Transport (roads to recovery)	1058 (1)	1,867	580	–	–
Transport (other roads and bridges funding)	1058 (2)	19	146	5,690	8,003
Aerodrome	1058 (2)	–	–	–	50
Community development	1058 (2)	14	2	387	–
Public order and safety	1058 (2)	4	–	154	–
Youth services	1058 (1)	8	3	–	–
Other	1058 (1)	97	411	–	1,808
Total specific purpose		3,312	3,707	11,740	12,801
Total grants		9,685	9,655	11,740	12,801
Grant revenue is attributable to:					
– Commonwealth funding		9,284	8,020	36	508
– State funding		364	1,618	11,704	10,868
– Other funding		37	17	–	1,425
		9,685	9,655	11,740	12,801

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

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)

AASB	Operating 2020 \$ '000	Operating 2019 \$ '000	Capital 2020 \$ '000	Capital 2019 \$ '000
(e) Contributions				
Other contributions:				
Cash contributions				
Bushfire services	15 (2)	212	194	–
RMS contributions (regional roads, block grant)	1058 (1)	1,945	1,902	544
Water supplies (excl. section 64 contributions)	1058 (2)	1,426	666	52
Total other contributions – cash		3,583	2,762	596
Non-cash contributions				
Roads and bridges		–	–	1
Water supplies (excl. section 64 contributions)	1058 (2)	–	–	1,821
Total other contributions – non-cash		–	–	1,822
Total contributions		3,583	2,762	2,418
TOTAL GRANTS AND CONTRIBUTIONS		13,268	12,417	14,158

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.

Grant income

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

Capital grants

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

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

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

Contributions

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

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

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

During the financial year ended 30 June 2020 Council recognised an amount of \$1.82m as a non cash contribution in respect of water supply assets constructed for supply of potable water to a Small Stock Abattoir, as constructed by developers and granted to Council for public infrastructure.

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)

	2020 \$ '000	2019 \$ '000
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	1,429	394
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	1,219
Add: operating grants received for the provision of goods and services	3,303	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(184)
Less: operating grants recognised in the current period and now spent	(4,347)	–
Less: operating grants received in a previous reporting period now spent and recognised as income	(1)	–
Unexpended and held as externally restricted assets (operating grants)	384	1,429
Capital grants		
Unexpended at the close of the previous reporting period	2,262	127
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	2,254
Add: capital grants received for the provision of goods and services	11,506	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(119)
Less: capital grants recognised in the current period and now spent	(12,221)	–
Less: capital grants received in a previous reporting period now spent and recognised as income	(687)	–
Unexpended and held as externally restricted assets (capital grants)	860	2,262
Contributions		
Unexpended at the close of the previous reporting period	–	–
Add: contributions recognised as income in the current period but not yet spent	–	–
Add: contributions received for the provision of goods and services	4,375	–
Less: contributions recognised in the current reporting period now spent	(4,166)	–
Less: contributions received in a previous reporting period now spent and recognised as income	(12)	–
Unexpended and held as externally restricted assets (contributions)	197	–

Note 4. Interest and investment income

	2020 \$ '000	2019 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	126	120
– Cash and investments	411	494
Total Interest and investment income	537	614

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	33	74
General Council cash and investments	384	349

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income (continued)

	2020 \$ '000	2019 \$ '000
Restricted investments/funds – external:		
Water fund operations	76	128
Sewerage fund operations	44	63
Total interest and investment revenue	537	614

Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

	2020 \$ '000	2019 \$ '000
(a) Employee benefits and on-costs		
Salaries and wages	6,777	6,722
Employee leave entitlements (ELE)	1,014	1,127
Superannuation	741	689
Workers' compensation insurance	344	252
Fringe benefit tax (FBT)	22	10
Sick leave insurance	5	5
Other	56	50
Total employee costs	8,959	8,855
Less: capitalised costs	(1,343)	(1,475)
TOTAL EMPLOYEE COSTS EXPENSED	7,616	7,380
Number of 'full-time equivalent' employees (FTE) at year end	86	89
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	99	89

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.

	2020 \$ '000	2019 \$ '000
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on leases	2	–
Interest on loans	187	181
Total interest bearing liability costs	189	181
Total interest bearing liability costs expensed	189	181
TOTAL BORROWING COSTS EXPENSED	189	181

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	2020 \$ '000	2019 \$ '000
(c) Materials and contracts		
Raw materials and consumables	20,443	16,226
Contractor and consultancy costs	669	584
Auditors remuneration ²	64	59
Legal expenses:		
– Legal expenses: other	71	62
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	22
Total materials and contracts	<u>21,247</u>	<u>16,953</u>
Less: capitalised costs	(15,974)	(12,460)
TOTAL MATERIALS AND CONTRACTS	<u>5,273</u>	<u>4,493</u>

Accounting policy for materials and contracts

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

1. Operating lease payments are attributable to:

Other	–	22
	<u>–</u>	<u>22</u>

2. Auditor remuneration

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

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

Audit and review of financial statements	64	59
Remuneration for audit and other assurance services	<u>64</u>	<u>59</u>
Total Auditor-General remuneration	<u>64</u>	<u>59</u>
Total Auditor remuneration	<u>64</u>	<u>59</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	Notes	2020 \$ '000	2019 \$ '000
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,073	957
Office equipment		57	53
Furniture and fittings		10	10
Infrastructure:	10(a)		
– Buildings – non-specialised		81	79
– Buildings – specialised		510	491
– Other structures		360	348
– Roads		1,470	1,356
– Bridges		248	248
– Footpaths		72	72
– Stormwater drainage		89	118
– Water supply network		1,087	1,121
– Sewerage network		310	313
– Swimming pools		88	84
– Other open space/recreational assets		240	199
– Levee bank		191	163
– Other infrastructure		118	118
Right of use assets	12	20	–
Other assets:			
– Other Heritage		25	25
– Library books		16	14
Total gross depreciation and amortisation costs		6,065	5,769
Total depreciation and amortisation costs		6,065	5,769
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		6,065	5,769

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.

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

Impairment of non-financial assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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.

	2020 \$ '000	2019 \$ '000
(e) Other expenses		
Advertising	144	125
Training costs (other than salaries and wages)	63	138
Travel expenses	324	313
Bad and doubtful debts	129	48
Bank charges	18	18
Cleaning	23	25
Cost of sales	50	29
Computer software charges	125	61
Contributions/levies to other levels of government		
Contributions/levies to other levels of government	22	19
– Emergency services levy (includes FRNSW, SES, and RFS levies)	4	4
– NSW fire brigade levy	37	34
– NSW rural fire service levy	144	117
Councillor expenses – mayoral fee	27	26
Councillor expenses – councillors' fees	122	119
Councillors' expenses (incl. mayor) – other (excluding fees above)	75	73
Donations, contributions and assistance to other organisations (Section 356)	26	15
Electricity and heating	369	380
Fire control expenses	142	142
Insurance	320	454
Office expenses (including computer expenses)	67	89
Postage	9	10
Printing and stationery	38	56
Street lighting	347	156
Subscriptions and publications	30	30
Telephone and communications	116	96
Tourism expenses (excluding employee costs)	43	94
Valuation fees	16	17
Other	13	10
Total other expenses	2,843	2,698
TOTAL OTHER EXPENSES	2,843	2,698

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

	Notes	2020 \$ '000	2019 \$ '000
Plant and equipment	10(a)		
Proceeds from disposal – plant and equipment		350	308
Less: carrying amount of plant and equipment assets sold/written off		(172)	(92)
Net gain/(loss) on disposal		178	216
Infrastructure	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(674)	(273)
Net gain/(loss) on disposal		(674)	(273)
Investments	7(b)		
Proceeds from disposal of financial assets – held to maturity investments		31,803	21,365
Less: carrying amount of investments sold/redeemed/matured		(31,803)	(21,365)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(496)	(57)

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

	2020 \$ '000	2019 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	1,394	564
Cash-equivalent assets		
– Short-term deposits	5,948	2,440
Total cash and cash equivalents	7,342	3,004

Accounting policy for cash and cash equivalents

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Investments				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost'	15,644	–	20,563	–
Total Investments	<u>15,644</u>	<u>–</u>	<u>20,563</u>	<u>–</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>22,986</u>	<u>–</u>	<u>23,567</u>	<u>–</u>
Financial assets at amortised cost				
Long term deposits	15,644	–	20,563	–
Total	<u>15,644</u>	<u>–</u>	<u>20,563</u>	<u>–</u>

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Total cash, cash equivalents and investments	22,986	–	23,567	–
attributable to:				
External restrictions	6,216	–	9,784	–
Internal restrictions	3,884	–	3,633	–
Unrestricted	12,886	–	10,150	–
	<u>22,986</u>	<u>–</u>	<u>23,567</u>	<u>–</u>

	2020 \$ '000	2019 \$ '000

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	550	–
Specific purpose unexpended contributions– water fund (2020 only)	197	–
External restrictions – included in liabilities	<u>747</u>	<u>–</u>

External restrictions – other

Specific purpose unexpended grants (recognised as revenue) – general fund	694	3,691
Water supplies	2,672	4,283
Sewerage services	2,051	1,758
Domestic waste management	52	52
External restrictions – other	<u>5,469</u>	<u>9,784</u>

Total external restrictions

	<u>6,216</u>	<u>9,784</u>
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Internal restrictions

Employees leave entitlement	600	600
Deposits, retentions and bonds	5	5
Prepaid Financial Assistance Grant	3,279	3,028
Total internal restrictions	<u>3,884</u>	<u>3,633</u>

TOTAL RESTRICTIONS

	<u>10,100</u>	<u>13,417</u>
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Purpose				
Rates and annual charges	781	284	744	271
Interest and extra charges	226	82	160	58
User charges and fees	737	–	2,500	–
Accrued revenues				
– Interest on investments	53	–	175	–
Government grants and subsidies	4,110	–	4,390	–
Net GST receivable	398	–	112	–
Total	6,305	366	8,081	329
Less: provision of impairment				
Rates and annual charges	(194)	(71)	(204)	(111)
Interest and extra charges	(187)	(67)	(94)	(25)
User charges and fees	(5)	(4)	(5)	(6)
Total provision for impairment – receivables	(386)	(142)	(303)	(142)
TOTAL NET RECEIVABLES	5,919	224	7,778	187

Externally restricted receivables

Water supply

– Rates and availability charges	83	30	124	29
– Other	2,018	–	417	–

Sewerage services

– Rates and availability charges	118	43	127	55
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Total external restrictions	2,219	73	668	84
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Unrestricted receivables	3,700	151	7,110	103
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TOTAL NET RECEIVABLES	5,919	224	7,778	187
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	2020 \$ '000	2019 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	445	398
+ new provisions recognised during the year	106	105
– amounts provided for but recovered during the year	(23)	(58)
Balance at the end of the year	528	445

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.

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 1 year 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

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
(a) Inventories				
(i) Inventories at cost				
Stores and materials	102	–	103	–
Total inventories at cost	102	–	103	–
TOTAL INVENTORIES	102	–	103	–
(b) Other assets				
Prepayments	–	–	6	–
TOTAL OTHER ASSETS	–	–	6	–

Externally restricted assets

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Water				
Prepayments	–	–	1	–
Total water	–	–	1	–
Total externally restricted assets	–	–	1	–
Total unrestricted assets	102	–	108	–
TOTAL INVENTORIES AND OTHER ASSETS	102	–	109	–

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 \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	3,218	–	3,218	7,373	1,830	–	–	(2,635)	–	–	–	9,786	–	9,786
Plant and equipment	10,874	(6,014)	4,860	1,686	–	(168)	(1,073)	–	11	–	–	11,690	(6,374)	5,316
Office equipment	655	(298)	357	113	10	–	(57)	–	–	–	–	778	(355)	423
Furniture and fittings	126	(88)	38	1	–	–	(10)	–	–	–	–	127	(98)	29
Land:														
– Operational land	2,259	–	2,259	–	53	–	–	–	–	–	142	2,454	–	2,454
– Community land	737	–	737	–	–	–	–	–	10	(64)	–	683	–	683
– Crown land	1,206	–	1,206	–	–	–	–	–	(10)	–	639	1,835	–	1,835
Infrastructure:														
– Buildings – non-specialised	3,365	(1,035)	2,330	–	168	–	(81)	–	–	–	–	3,533	(1,116)	2,417
– Buildings – specialised	25,288	(11,379)	13,909	94	228	(20)	(510)	89	(11)	–	–	25,597	(11,818)	13,779
– Other structures	5,730	(2,786)	2,944	391	108	(16)	(360)	97	36	–	–	6,369	(3,168)	3,201
– Roads	166,797	(26,856)	139,941	5,125	1,385	(638)	(1,470)	764	–	–	3,154	174,726	(26,463)	148,263
– Bridges	24,783	(8,508)	16,275	44	–	–	(248)	–	–	–	4,940	32,114	(11,104)	21,010
– Footpaths	5,125	(3,287)	1,838	14	–	–	(72)	891	–	(269)	–	5,894	(3,493)	2,401
– Stormwater drainage	8,817	(3,905)	4,912	253	–	–	(89)	330	(790)	(994)	–	5,440	(1,819)	3,621
– Water supply network	35,522	(17,589)	17,933	–	4,238	–	(1,087)	9	(36)	–	160	40,012	(18,796)	21,216
– Sewerage network	20,652	(10,798)	9,854	–	–	–	(310)	–	–	–	91	20,849	(11,213)	9,636
– Swimming pools	3,112	(1,476)	1,636	24	–	–	(88)	–	–	–	–	3,136	(1,565)	1,571
– Other open space/recreational assets	8,223	(4,433)	3,790	13	159	–	(240)	455	–	–	–	8,849	(4,673)	4,176
– Levee bank	11,821	(4,705)	7,116	–	–	–	(191)	–	790	–	10,048	24,709	(6,944)	17,765
– Aerodromes	6,262	(1,763)	4,499	–	–	–	(118)	–	–	(501)	–	4,923	(1,044)	3,879
Other assets:														
– Library Books & Reader	172	(27)	145	30	–	(3)	(16)	–	–	–	–	191	(36)	155
– Heritage items	2,530	(557)	1,973	–	–	–	(25)	–	–	–	–	2,530	(582)	1,948
Total Infrastructure, property, plant and equipment	347,274	(105,504)	241,770	15,161	8,179	(845)	(6,045)	–	–	(1,828)	19,174	386,225	(110,661)	275,564

(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 \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	975	–	975	1,223	1,370	–	–	(350)	–	–	3,218	–	3,218
Plant and equipment	9,833	(6,061)	3,772	2,132	–	(92)	(957)	–	7	–	10,874	(6,014)	4,860
Office equipment	620	(245)	375	16	19	–	(53)	–	–	–	655	(298)	357
Furniture and fittings	126	(78)	48	1	–	–	(10)	–	–	–	126	(88)	38
Land:													
– Operational land	2,260	–	2,260	–	–	–	–	–	(1)	–	2,259	–	2,259
– Community land	640	–	640	–	91	–	–	6	–	–	737	–	737
– Crown land	1,205	–	1,205	–	–	–	–	–	1	–	1,206	–	1,206
Infrastructure:													
– Buildings – non-specialised	3,341	(957)	2,384	16	10	(1)	(79)	–	–	–	3,365	(1,035)	2,330
– Buildings – specialised	24,928	(10,904)	14,024	277	59	–	(491)	47	(7)	–	25,288	(11,379)	13,909
– Other structures	5,619	(2,438)	3,181	–	111	–	(348)	–	–	–	5,730	(2,786)	2,944
– Roads	157,990	(25,761)	132,229	9,012	14	(178)	(1,356)	221	–	–	166,797	(26,856)	139,941
– Bridges	24,783	(8,261)	16,522	–	–	–	(248)	–	–	–	24,783	(8,508)	16,275
– Footpaths	5,126	(3,216)	1,910	–	–	–	(72)	–	–	–	5,125	(3,287)	1,838
– Stormwater drainage	8,752	(3,806)	4,946	85	–	(2)	(118)	–	–	–	8,817	(3,905)	4,912
– Water supply network	34,375	(16,225)	18,150	–	635	–	(1,121)	–	–	267	35,522	(17,589)	17,933
– Sewerage network	20,328	(10,315)	10,013	–	–	–	(313)	–	–	155	20,652	(10,798)	9,854
– Swimming pools	3,035	(1,433)	1,602	127	–	(10)	(84)	–	–	–	3,112	(1,476)	1,636
– Other open space/recreational assets	7,635	(4,364)	3,271	502	228	(64)	(199)	52	–	–	8,223	(4,433)	3,790
– Aerodromes	6,262	(1,742)	4,520	103	–	(7)	(118)	–	–	–	6,262	(1,763)	4,499
– Levee bank	11,821	(4,542)	7,279	–	–	–	(163)	–	–	–	11,821	(4,705)	7,116
Other assets:													
– Heritage collections	2,530	(531)	1,999	–	–	–	(25)	–	–	–	2,530	(557)	1,973
– Library books	133	(38)	95	19	32	(12)	(14)	24	–	–	172	(27)	145
Total Infrastructure, property, plant and equipment	332,317	(100,917)	231,400	13,513	2,569	(366)	(5,769)	–	–	422	347,274	(105,504)	241,770

(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. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed 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 Crown Lands and Water (CLAW).

Increases in the carrying amounts arising on revaluation are credited to the asset 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.

Land is not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement. 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	8 to 10	Playground equipment	3 to 20
Office furniture	10	Benches, seats etc.	5 to 30
Computer equipment	3 to 50		
Vehicles	2 to 10	Buildings	
Heavy planVroad making equipment	5 to 10	Buildings: masonry	50 to 80
Other plant and equipment	5 to 50	Buildings: other	20 to 80
Water and sewer assets		Stormwater assets	
Dams and reservoirs	20 to 100	Drains	50 to 100
Bores	10 to 50	Culverts	50 to 80
Reticulation pipes: PVC	50 to 80	Flood control structures	20 to 80
Reticulation pipes: other	25 to 50		
Pumps and telemetry	8 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	15	Bulk earthworks	Infinite
Sealed roads: structure	60 to 100	Swimming pools	20 to 50
Unsealed roads	20 to 100	Unsealed roads	20 to 100
Bridge: concrete	100	Other open space/recreational assets	3 to 50
Bridge: other	100	Other infrastructure	3 to 50
Road pavements	20 to 70		
Kerb, gutter and footpaths	15 to 75		

Land under roads

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(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".

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including land, buildings, plant and vehicles.

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

	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
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Water supply						
WIP	3,637	–	3,637	364	–	364
Plant and equipment	475	307	168	390	262	128
Buildings	619	452	167	619	426	193
Other structures	82	61	21	82	57	25
Infrastructure	40,024	18,795	21,229	35,440	17,532	17,908
Total water supply	44,837	19,615	25,222	36,895	18,277	18,618
Sewerage services						
WIP	116	–	116	116	–	116
Plant and equipment	96	96	–	134	117	17
Infrastructure	20,849	11,214	9,635	20,652	10,798	9,854
Total sewerage services	21,061	11,310	9,751	20,902	10,915	9,987
TOTAL RESTRICTED IPP&E	65,898	30,925	34,973	57,797	29,192	28,605

Note 11. Contract assets and liabilities

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

Contract liabilities**Grants and contributions received in advance:**

Unexpended capital grants (to construct Council controlled assets)	(i)	550	–
Unexpended capital contributions (to construct Council controlled assets)	(i)	197	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities (continued)

Notes	2020 Current \$ '000	2020 Non-current \$ '000
Total grants received in advance	747	—
User fees and charges received in advance:		
Other	—	—
Total user fees and charges received in advance	—	—
Total contract liabilities	747	—

Notes

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

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 1058 being satisfied since the performance obligations are ongoing.

	2020 Current \$ '000	2020 Non-current \$ '000
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Water	197	—
Unspent grants held as contract liabilities (excl. Water & Sewer)	550	—
Contract liabilities relating to externally restricted assets	747	—
Total contract liabilities	747	—

	2020 \$ '000
(ii) Revenue recognised (during the financial year) from opening contract liability balances	

Grants and contributions received in advance:

Capital grants (to construct Council controlled assets)	687
Operating grants (received prior to performance obligation being satisfied)	1
Capital contributions (to construct Council controlled assets)	—
Operating contributions (received prior to performance obligation being satisfied)	12
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	700

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 1058 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities (continued)

Accounting policy for contract assets and liabilities

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

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

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

Note 12. Leases

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

(i) Council as a lessee

Council has leases over a range of assets including land, buildings and road plant & equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Lease Number	Council Reference	Start Date	Lease Type	Annual Lease Repayments (\$)	Lessor	Asset Class / Type
L0001	Library 2016-2020	01/09/2016	Ordinary	21,993	Essential Energy	Buildings – non-specialised
L0003	Byrock rail land	01/03/1980	Peppercorn	508	NSW Transport Asset Holdings	Land - Community land
L0004	Railway land various	01/07/1980	Peppercorn	121	NSW Transport Asset Holdings	Land - Community land
L0005	Railway land station building	01/07/1980	Peppercorn	674	NSW Transport Asset Holdings	Land - Community land
L0006	Railway land saleyards	01/07/1980	Peppercorn	1,200	NSW Transport Asset Holdings	Land - Community land
L0007	Railway land saleyards	01/07/1980	Peppercorn	514	NSW Transport Asset Holdings	Land - Community land
L0008	Various local government purposes	01/07/1980	Peppercorn	931	NSW Transport Asset Holdings	Land - Community land
L0009	Tender 01/2020	30/06/2019	Short Term	195,220	Rollers Aust. Pty Ltd	Plant and equipment
L0010	Rainbar camp site	01/01/2020	Low Value	-	Heffernan Pastoral Pty Ltd	Land improvements - non-depreciable
L0011	Yandaroo camp site	01/01/2020	Low Value	-	Garth Davis & Mary Louise Davis	Land improvements - non-depreciable
			Total annual rental	221,161		

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

Buildings

Council leases land and buildings for its library services, water supply infrastructure and for other community purposes. The term of the leases varies according to the particular purpose and range between 2 year with 2 year options, and up to 99 years in the case of certain Crown lands.

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

Vehicles

Council leases road plant & equipment which are secured by annual tender and have a term of 1 year only. The lease payments are fixed on a usage basis during the lease term and there is no renewal option.

Office and IT equipment

Council does not lease IT and office equipment.

Extension options

Council includes an option in the building lease to provide flexibility and certainty to Council operations and to ensure continuity of available services to its community.

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

	Plant & Equipment \$ '000	Ready to use \$ '000	Buildings - Non Specialised \$ '000	Community Land \$ '000	Total \$ '000
(a) Right of use assets					
Opening balance at 30 June 2019	-	-	-	-	-
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	-	-	23	-	23
Depreciation charge	-	-	(20)	-	(20)
<u>RIGHT OF USE ASSETS</u>	-	-	3	-	3

	2020 Current \$ '000	2020 Non-current \$ '000
Lease liabilities	4	-
<u>TOTAL LEASE LIABILITIES</u>	4	-

(i) The maturity analysis

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

	< 1 year \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
Cash flows	4	–	–	4	4

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

Water	–	–
Sewer	–	–
Other	–	–

Lease liabilities relating to externally restricted assets**Total lease liabilities relating to restricted assets****Total lease liabilities relating to unrestricted assets****Total lease liabilities**

	4	–
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	2020 \$ '000
--	-------------------------

(c) Income Statement

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

Interest on lease liabilities	2
Depreciation of right of use assets	20
	<u>22</u>

(d) Statement of Cash Flows

Total cash outflow for leases	221
	<u>221</u>

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:

- water supply storage
- works depot and storage
- storage of materials, and
- other community purposes

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

The leases are generally between 10 to 99 years and require annual payments of amounts not exceeding \$5000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

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

Refer to Note 5c and Note 13

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties and facilities to community groups, essential community health providers and to staff for accommodation. These leases have been classified as operating leases for financial reporting purposes and the assets are included in IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

	2020 \$ '000
(i) Operating lease income	
Other lease income	
Housing accommodation	74
Government services, health and allied services	68
Leaseback fees - council vehicles	15
Communications and other	52
Total income relating to operating leases	209
(ii) Operating lease expenses	
Other leased assets	
Other	-
Total expenses relating to operating leases	-

	Buildings		
	Plant & Equipment	Specialised	Non Specialised
	2020 \$ '000	2020 \$ '000	2020 \$ '000
(v) Reconciliation of IPP&E assets leased out as operating leases			
Opening balance as at 1 July 2019	286	2,763	2,234
Additions new assets	168	131	168
Depreciation expense	(81)	(77)	(77)
Closing balance as at 30 June 2020	373	2,817	2,325

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Payables				
Goods and services – operating expenditure	1,088	–	2,669	–
Goods and services – capital expenditure	1,100	–	–	–
Accrued expenses:				
– Borrowings	15	–	17	–
– Salaries and wages	91	–	26	–
Security bonds, deposits and retentions	133	–	144	–
Total payables	2,427	–	2,856	–
Income received in advance				
Payments received in advance	182	–	209	–
Total income received in advance	182	–	209	–
Borrowings				
Loans – secured ¹	1,095	3,678	1,020	3,546
Total borrowings	1,095	3,678	1,020	3,546
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,704</u>	<u>3,678</u>	<u>4,085</u>	<u>3,546</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.

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	988	305	474	345
Sewer	15	66	38	71
Payables and borrowings relating to externally restricted assets	1,003	371	512	416
Total payables and borrowings relating to restricted assets	1,003	371	512	416
Total payables and borrowings relating to unrestricted assets	2,701	3,307	3,573	3,130
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,704</u>	<u>3,678</u>	<u>4,085</u>	<u>3,546</u>

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

Nil

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

(c) Changes in liabilities arising from financing activities

	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	4,566	(1,021)	1,228	–	–	–	4,773
Lease liabilities	23	(19)	–	–	–	–	4
TOTAL	4,589	(1,040)	1,228	–	–	–	4,777

	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	3,814	(836)	1,588	–	–	4,566
Lease liabilities	–	23	–	–	–	23
TOTAL	3,814	(813)	1,588	–	–	4,589

	2020 \$ '000	2019 \$ '000

(d) Financing arrangements

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

Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	20	20
Total financing arrangements	220	220

Drawn facilities as at balance date:

– Credit cards/purchase cards	2	4
Total drawn financing arrangements	2	4

Undrawn facilities as at balance date:

– Bank overdraft facilities	200	200
– Credit cards/purchase cards	18	16
Total undrawn financing arrangements	218	216

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Note 14. Provisions

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Provisions				
Employee benefits				
Annual leave	1,063	–	916	–
Sick leave	151	–	164	–
Long service leave	2,086	110	1,944	102
Other leave	162	–	164	–
Sub-total – aggregate employee benefits	3,462	110	3,188	102
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	30	–	–
Sub-total – asset remediation/restoration	–	30	–	–
<u>TOTAL PROVISIONS</u>	<u>3,462</u>	<u>140</u>	<u>3,188</u>	<u>102</u>

(a) Provisions relating to restricted assets

Externally restricted assets

Water	198	7	181	6
Sewer	132	4	121	4
Provisions relating to externally restricted assets	330	11	302	10
Total provisions relating to restricted assets	330	11	302	10
Total provisions relating to unrestricted assets	3,132	129	2,886	92
<u>TOTAL PROVISIONS</u>	<u>3,462</u>	<u>140</u>	<u>3,188</u>	<u>102</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

	2020 \$ '000	2019 \$ '000
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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	1,800	1,600
	<u>1,800</u>	<u>1,600</u>

(c) Description of and movements in provisions

	ELE provisions				Total \$ '000
	Annual leave \$ '000	Sick leave \$ '000	Long service leave \$ '000	Other employee benefits \$ '000	
2020					
At beginning of year	916	164	2,046	164	3,290
Additional provisions	472	197	292	–	961
Amounts used (payments)	(325)	(210)	(142)	(2)	(679)
Total ELE provisions at end of year	<u>1,063</u>	<u>151</u>	<u>2,196</u>	<u>162</u>	<u>3,572</u>
2019					
At beginning of year	764	185	1,712	142	2,803
Additional provisions	572	–	529	22	1,123
Amounts used (payments)	(420)	(21)	(195)	–	(636)
Total ELE provisions at end of year	<u>916</u>	<u>164</u>	<u>2,046</u>	<u>164</u>	<u>3,290</u>

	Other provisions	
	Asset remediation \$ '000	Total \$ '000
2020		
Other	30	30
Total other provisions at end of year	<u>30</u>	<u>30</u>

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.

During the year Council recognised a provision for the reinstatement of pits and quarries as per its annual budget allocation.

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.

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.

Changes in the fair value of financial assets are taken up through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

(ii) AASB 15 and AASB 1058

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

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

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)**Costs incurred in fulfilling customer contracts**

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

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

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

Principal v agent

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

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

Licences

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

Prepaid rates

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

Grants – operating

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

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.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 15	13
– Under AASB 1058	819
Total Contract liabilities	832

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	7,342	–	–	7,342	
Investments	15,644	–	–	15,644	
Receivables	5,919	–	–	5,919	
Inventories	102	–	–	102	
Total current assets	29,007	–	–	29,007	
Current liabilities					
Payables	2,427	–	–	2,427	
Income received in advance	182	–	–	182	
Contract liabilities	747	–	(747)	–	
Lease liabilities	4	–	–	4	
Borrowings	1,095	–	–	1,095	
Provisions	3,462	–	–	3,462	
Total current liabilities	7,917	–	(747)	7,170	
Non-current assets					
Receivables	224	–	–	224	
Infrastructure, property, plant and equipment	275,564	–	–	275,564	
Right of use assets	3	–	–	3	
Investments accounted for using equity method	663	–	–	663	
Total non-current assets	276,454	–	–	276,454	
Non-current liabilities					
Borrowings	3,678	–	–	3,678	
Provisions	140	–	–	140	
Total Non-current liabilities	3,818	–	–	3,818	
Net assets	293,726	–	747	294,473	
Equity					
Accumulated surplus	164,177	–	747	164,924	
Revaluation reserves	129,549	–	–	129,549	
Council equity interest	293,726	–	747	294,473	
Total equity	293,726	–	747	294,473	

Notes to the Financial Statements

for the year ended 30 June 2020

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

The introduction of AASB 15 and AASB 1058 has resulted in the reporting of income, largely from government grants, to be presented on the basis of recognition of contract liabilities for certain revenues where income is received in advance of the performance of the obligations associated with the contract at balance date. Such revenues were previously taken to account as income and are now presented as liabilities.

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	4,117	–	–	4,117	
User charges and fees	3,569	–	–	3,569	
Other revenues	683	–	–	683	
Grants and contributions provided for operating purposes	13,268	–	–	13,268	
Grants and contributions provided for capital purposes	14,158	–	(85)	14,073	
Interest and investment income	537	–	–	537	
Rental income	209	–	–	209	
Total Income from continuing operations	36,541	–	(85)	36,456	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	7,616	–	–	7,616	
Borrowing costs	189	–	–	189	
Materials and contracts	5,273	–	–	5,273	
Depreciation and amortisation	6,065	–	–	6,065	
Other expenses	2,843	–	–	2,843	
Net losses from the disposal of assets	496	–	–	496	
Net share of interests in joint ventures and associates using the equity method	3,070	–	–	3,070	
Total Expenses from continuing operations	25,552	–	–	25,552	
Total Operating result from continuing operations	10,989	–	(85)	10,904	
Net operating result for the year	10,989	–	(85)	10,904	
Total comprehensive income	28,335	–	(85)	28,250	

The introduction of AASB 15 and AASB 1058 has resulted in the reporting of income, largely from government grants, to be presented on the basis of recognition of contract liabilities for certain revenues where income is received in advance of the performance of the obligations associated with the contract at balance date. Such revenues were previously taken to account as income and are now presented as liabilities.

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	–	–	–
Total assets	277,144	–	277,144
Contract liabilities	–	832	832
Total liabilities	10,921	832	11,753
Accumulated surplus	–	(832)	(832)
Total equity	266,223	(832)	265,391

(iii) AASB 16 Leases

Council as a lessee

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

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

Practical expedients used on transition

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

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

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$23,000 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 3%

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	–
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	–
Add:	
Contracts not accounted for as operating lease commitments last year	23
Lease liabilities recognised at 1 July 2019	23

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.

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	23	23
Total assets	277,144	23	277,167
Leases	–	23	23
Total liabilities	10,921	23	10,944
Accumulated surplus	–	–	–
Total equity	266,223	–	266,223

(b) Voluntary changes in accounting policies**Nature of changes in accounting policies**

Council made no voluntary changes in accounting policies during the year.

(c) Changes in accounting estimates**Nature and effect of changes in accounting estimates on current year**

Council made no changes in accounting estimates during the year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Statement of cash flow information

	Notes	2020 \$ '000	2019 \$ '000
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	7,342	3,004
Balance as per the Statement of Cash Flows		7,342	3,004

(b) Reconciliation of net operating result to cash provided from operating activities

Net operating result from Income Statement		10,989	17,875
Adjust for non-cash items:			
Depreciation and amortisation		6,065	5,769
Net losses/(gains) on disposal of assets		496	57
Non-cash capital grants and contributions		(1,822)	–
Adoption of AASB 15/1058		(832)	–
Share of net (profits)/losses of associates/joint ventures using the equity method		3,070	(3,733)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,739	(4,233)
Increase/(decrease) in provision for impairment of receivables		83	47
Decrease/(increase) in inventories		1	(4)
Decrease/(increase) in other current assets		6	26
Increase/(decrease) in payables		(1,581)	1,322
Increase/(decrease) in accrued interest payable		(2)	(1)
Increase/(decrease) in other accrued expenses payable		65	(234)
Increase/(decrease) in other liabilities		(38)	(111)
Increase/(decrease) in contract liabilities		747	–
Increase/(decrease) in provision for employee benefits		282	487
Increase/(decrease) in other provisions		30	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		19,298	17,267

(c) Non-cash investing and financing activities

Developer contributions 'in kind'		1,822	–
Total non-cash investing and financing activities		1,822	–

Note 17. Interests in other entities

	Council's share of net income		Council's share of net assets	
	2020 \$ '000	2019 \$ '000	2020 \$ '000	2019 \$ '000
Joint arrangements	(3,070)	3,733	663	3,733
Total	(3,070)	3,733	663	3,733

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Interests in other entities (continued)

Interests in joint arrangements

The following information is provided for joint arrangements that are individually material to the Council. Included are the amounts as per the individual joint arrangement's financial statements, adjusted for fair-value adjustments, rather than Council's share.

Council is a member of the Far North West Joint Organisation of Councils (FNWJO). Details of Council's membership and participation is as follows:

Legal status of Joint Organisation

The FNWJO is a separately constituted entity pursuant to Part 7 (Sections 400O to 400ZH) of the Local Government Act (NSW) 1993, as amended, and the Local Government (General) Regulation 2008. The Charter of the FNWJO can be found here: <https://www.farnorthwestjo.nsw.gov.au/f.ashx/%24341338%24Far-North-West-JO-Charter.pdf>

The FNWJO has the same year end date as the Council.

What the Joint Organisation does

The principle purpose of the FNWJO is to establish strategic regional priorities and to provide regional leadership to the geographical area for which it serves, and to identify and take up opportunities for intergovernmental cooperation on matters relating to the joint organisation area.

Joint Organisation participants

The percentage ownership interest held is equivalent to the percentage voting rights for all associates as follows:

FNWJO comprises the Councils of the Shires of Bourke, Cobar and Walgett in north western NSW. The Board of the FNWJO comprises 3 voting members being the Mayors of the three member Councils, and non voting members being the General Managers of the Shires of Bourke and Walgett, as well as 3 appointed members from the State Government and Cabinet (non-voting). The General Manager of the Shire of Cobar is appointed for the time being as the Executive Officer of the Board (non-voting).

Council's powers of control or influence over the Joint Organisation

Bourke Shire Council, as a member of the FNWJO, has a one third voting right in respect to the decisions of the Board.

Council's financial obligations to the Joint Organisation

In accordance with the Charter each member of the FNWJO contributes annual fees towards the operation of the joint organisation. In 2019/2020 the contribution made by Bourke Shire Council was \$10,400.

Council's liability obligations in relation to the Joint Organisation

Members of the FNWJO are indemnified from liability for functions and duties carried out or omitted honestly, in good faith and with due care and diligence.

Liability for operational losses or winding up of the FNWJO

The FNWJO has engaged an Executive Officer on a standard Local Government employment contract for 3 years. The contact in the initial year (2018/2019) was \$75,000. A provision has been provided for ELE and funding from the initial start-up of the FNWJO will cover the 3 year period. All grant funding received and distributed through the FNWJO will have a 5% administration fee that will remain with the JO.

The FNWJO has recently signed a contract to provide an Air Service to the towns of Bourke, Cobar, Lightning Ridge and Walgett, the contract is Commercial-in-confidence and has a clause that to safe guard Councils for any long term liability which is contained within the termination clause. The air service will be supported by funding provided to the FNWJO from the State Government.

There are no liability issues identified for Council in the short to medium term.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Interests in other entities (continued)

Equity Method	Far North West Joint Organisation	
	2020	2019
	\$'000	\$'000
Summarised Statement of Financial Position		
Cash and cash equivalents	8,333	12,227
Current assets	8,646	12,227
Non-current assets	-	-
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	(6,657)	-
Non-current liabilities		
Non-current liabilities (excluding trade and other payables and provisions)	-	-
Net assets	1,989	11,199
Summarised Statement of Income and other Comprehensive Income		
Revenue	2,094	14,172
Interest income	-	13
Depreciation and amortisation	-	-
Interest expense	-	-
Profit/(loss) from continuing operations	(1,215)	11,199
Other Comprehensive Income	-	-
Total Comprehensive Income	(1,215)	11,199
Summarised Statement of Cash Flows		
Cash flows from operating activities	4,182	11,186
Cash flows from investing activities	-	13
Cash flows from financing activities	(7,996)	-
Net Increase/(Decrease) in cash and cash equivalents	(3,894)	11,199
Reconciliation of carrying amount of interest in the joint arrangement to summarised financial information for FNWJO accounted for using the Equity method		
Bourke Shire Council's share of 33.33% of Net Assets	663	3,733
Carrying amount	663	3,733

Accounting policy for Joint arrangements

Interests in joint arrangements are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of a joint arrangement equals or exceeds its interest in the joint arrangement, the Council discontinues recognising its share of further losses.

The Council's share in the joint arrangements gains or losses arising from transactions between itself and its joint arrangement are eliminated.

Adjustments are made to the joint arrangement's accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments

	2020 \$ '000	2019 \$ '000
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	7,620	8,738
Plant and equipment	620	885
Total commitments	8,240	9,623
These expenditures are payable as follows:		
Within the next year	7,620	5,623
Later than one year and not later than 5 years	620	4,000
Total payable	8,240	9,623
Sources for funding of capital commitments:		
Internally restricted reserves	7,620	8,738
Unexpended loans	620	885
Total sources of funding	8,240	9,623

Details of capital commitments

Purchase of Heavy Plant and Equipment, Renewal Water Treatment Plant, Infrastructure upgrade to Community Centre, fencing and shade structures, new storage shed.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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

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

Division B	1.9 times member contributions for non 180 Point Members (Nil for 180 Point members)*
Division C	2.5% salaries
Division D	1.64 times employee contributions

*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 past service contributions of \$40 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.

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

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

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 \$103,670.78. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA, as at 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is \$97,160.88.

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.

Based on a Past Service Liabilities methodology, the share of the deficit that can be attributed to Council is 0.17%.

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
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

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.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Garbage Depot Reinstatement

Garbage is disposed of in pits at the Bourke, Louth, Wanaaring, Enngonia and Byrock Waste Depots. When a new pit is required the old pit is reinstated at the same time as the digging of the new pit. As a result reinstatement costs are expensed each year for village waste depots that include Louth, Wanaaring, Enngonia and Byrock Waste Depots. Should current practice

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

change, it will be necessary to consider the need to establish a Garbage Depot Remediation provision. An internal restriction is included for the Bourke waste depot reinstatement.

(iii) Gravel Pits Reinstatement

Council's practice with regards to the remediation of road reserve and private property gravel pits is to construct water storage for future road maintenance or a farm dam in return for the use of the material where feasible. If this is not feasible for whatever reason then the pit is scarified and seeded upon completion of works undertaken and expensed accordingly. While this operational approach is usually managed within each program budget, Council has also recognised a small provision in its annual budget to meet any extra ordinary future costs.

(iv) Infringement notices/fines

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

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

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

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

Note 20. Financial risk management

Risk management

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

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

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

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

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

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.

	Carrying value 2020 \$ '000	Carrying value 2019 \$ '000	Fair value 2020 \$ '000	Fair value 2019 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	7,342	3,004	7,342	3,004
Receivables	6,143	7,965	6,143	7,965
Investments				
'Financial assets at amortised cost' / 'held to maturity' (2018)	15,644	20,563	15,644	20,563
Total financial assets	29,129	31,532	29,129	31,532
Financial liabilities				
Payables	2,427	2,856	2,427	2,856

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

	Carrying value 2020 \$ '000	Carrying value 2019 \$ '000	Fair value 2020 \$ '000	Fair value 2019 \$ '000
Loans/advances	4,773	4,566	4,773	4,566
Lease liabilities	4	–	4	–
Total financial liabilities	7,204	7,422	7,204	7,422

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
2020				
Possible impact of a 1% movement in interest rates	230	230	(190)	(190)
2019				
Possible impact of a 1% movement in interest rates	236	236	(213)	(213)

continued on next page ...

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile**Receivables – rates and annual charges**

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

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2020						
Gross carrying amount	–	725	340	–	–	1,065
2019						
Gross carrying amount	–	690	325	–	–	1,015

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.

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2020						
Gross carrying amount	2,610	302	539	1,497	658	5,606
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.40%	0.16%
ECL provision	–	–	–	–	9	9
2019						
Gross carrying amount	4,321	1,387	992	603	92	7,395
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	12.00%	0.15%
ECL provision	–	–	–	–	11	11

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

(c) Liquidity risk

Payables 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 and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

	Weighted average interest rate %	Subject to no maturity \$ '000	≤ 1 Year \$ '000	payable in:		Total cash outflows \$ '000	Actual carrying values \$ '000
				1 - 5 Years \$ '000	> 5 Years \$ '000		
2020							
Trade/other payables	0.00%	133	2,294	–	–	2,427	2,427
Loans and advances	4.50%	–	1,095	3,101	577	4,773	4,773
Total financial liabilities		133	3,389	3,101	577	7,200	7,200
2019							
Trade/other payables	0.00%	144	2,712	–	–	2,856	2,856
Loans and advances	6.00%	–	1,020	3,006	540	4,566	4,566
Total financial liabilities		144	3,732	3,006	540	7,422	7,422

Loan agreement breaches

There were no breaches to loan agreements during the reporting year.

Note 21. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 27/05/2019 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations (continued)

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	4,437	4,117	(320)	(7)% U
Original budget omitted internal exclusions for Rates & Charges on Council owned properties.				
User charges and fees	5,665	3,569	(2,096)	(37)% U
RMCC works for Transport for NSW on State roads was \$2M less than budgeted. These works are unknown at the time budgets are set due to availability of funding and priorities controlled by Transport for NSW.				
Other revenues	969	683	(286)	(30)% U
Council under estimated other revenue when preparing the budget for 2019/2020				
Operating grants and contributions	7,068	13,268	6,200	88% F
Council received additional grant monies from the State Government to secure the town water supply \$1.6M, RFS increase in fees refund \$50K, Infrastructure funding \$509K and Stronger Communities funding \$625K.				
Capital grants and contributions	27,081	14,158	(12,923)	(48)% U
Council budgeted for grant funds to upgrade the Sewer Treatment Plant and did not receive any funding for this project. The budget included forward amounts for projects currently underway, these include \$14M upgrade to Water supply infrastructure with only \$5.3M received in 2019/2020. Remaining funding is expected to be received in 2020/2021.				
Interest and investment revenue	360	537	177	49% F
Council was conservative when setting budgets for interest income due to interest rates remaining flat under the current economic conditions. Council's cash position has however remained strong leading to interest income being greater than expected.				
Rental income	-	209	209	∞ F
Rental income previously included in Other Revenues but now disclosed separately in accordance with AASB 16				
EXPENSES				
Employee benefits and on-costs	7,275	7,616	(341)	(5)% U
Borrowing costs	220	189	31	14% F
The budget estimate for borrowing was calculated at 5% when the budget was adopted. The interest rate for total borrowings of \$1.5M at the date of drawing down the loan was 2.88%. The variation is due to the reduced interest rate being a total of approximately \$31K.				
Materials and contracts	7,988	5,273	2,715	34% F
Council received funding for significant capital works projects and a large portion of materials and contract works were allocated to capital works for the current year				
Depreciation and amortisation	4,637	6,065	(1,428)	(31)% U
Depreciation expenses budget was not updated from the 2017/2018 expenditure. Additional depreciation was incurred through the revaluation of assets in the 2017/2018 year and 2018/2019 year.				
Other expenses	768	2,843	(2,075)	(270)% U
Reallocation of budget expenses to Other Costs from Materials and Contracts within the 2019/2020 budget				
Net losses from disposal of assets	-	496	(496)	∞ U

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
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Council does not budget for gains and losses on disposal of assets, this loss represents the write off of replaced road infrastructure.

Joint ventures and associates – net losses	–	3,070	(3,070)	∞	U
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Council does not budget for gains and losses on Joint ventures

STATEMENT OF CASH FLOWS

Cash flows from operating activities	29,329	19,298	(10,031)	(34)%	U
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Due to grant funds applied for not being received there was less costs than budgeted for.

Cash flows from investing activities	(25,612)	(15,148)	10,464	(41)%	F
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Cash expenditure was below budget due to grants not received

Cash flows from financing activities	(159)	188	347	(218)%	F
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Council resolved to borrowed additional funds after the budget was set. This included \$78K for Plant and Equipment and \$300K to purchase suitable housing.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/19	–	–	5,316	5,316
Furniture and fittings/Office Equipment	30/06/19	–	–	452	452
Operational land	30/06/20	–	–	2,454	2,454
Community land	30/06/20	–	–	683	683
Crown Land	30/06/20	–	–	1,835	1,835
Buildings non–specialised	30/06/18	–	–	2,417	2,417
Buildings specialised	30/06/18	–	–	13,779	13,779
Other structures	30/06/18	–	–	3,201	3,201
Roads	30/06/20	–	–	148,263	148,263
Bridges	30/06/20	–	–	21,010	21,010
Footpaths	30/06/20	–	–	2,401	2,401
Stormwater drainage	30/06/20	–	–	3,621	3,621
Levee banks	30/06/20	–	–	17,765	17,765
Water supply network	30/06/17	–	–	21,216	21,216
Sewerage network	30/06/17	–	–	9,636	9,636
Swimming pools	30/06/16	–	–	1,571	1,571
Open spaces/recreational	30/06/16	–	–	4,176	4,176
Aerodromes	30/06/20	–	–	3,879	3,879
Heritage Items	30/06/15	–	–	1,948	1,948
Other assets	30/06/18	–	–	155	155
Total infrastructure, property, plant and equipment		–	–	265,778	265,778

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	–	4,860	4,860
Furniture and fittings/Office Equipment	30/06/18	–	–	395	395
Operational land	30/06/18	–	–	2,259	2,259
Community land	30/06/18	–	–	737	737
Crown Land	30/06/18	–	–	1,206	1,206
Buildings non-specialised	30/06/18	–	–	2,330	2,330
Buildings specialised	30/06/18	–	–	13,909	13,909
Other structures	30/06/16	–	–	2,944	2,944
Roads	30/06/15	–	–	139,941	139,941
Bridges	30/06/15	–	–	16,275	16,275
Footpaths	30/06/15	–	–	1,838	1,838
Stormwater drainage	30/06/15	–	–	4,912	4,912
Levee banks	30/06/15	–	–	7,116	7,116
Water supply network	30/06/17	–	–	17,933	17,933
Sewerage network	30/06/17	–	–	9,854	9,854
Swimming pools	30/06/16	–	–	1,636	1,636
Open spaces/recreational	30/06/16	–	–	3,790	3,790
Aerodromes	30/06/15	–	–	4,499	4,499
Heritage Items	30/06/15	–	–	1,973	1,973
Other assets	30/06/18	–	–	145	145
Total infrastructure, property, plant and equipment		–	–	238,552	238,552

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

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

Plant and equipment

Plant & Equipment 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:

Graders, trucks, rollers, tractors and motor vehicles

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

Operational, Crown and community land

Values are based on the Land values provided by the Valuer-General. Operational Land is based on the Valuer-General's land value, as these are representative of actual market values in the Bourke LGA or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value, having regard to the highest and best use for the Land.

As these rates are not considered to be observable market evidence they have been classified as a Level 3.

There was a revaluation of Land conducted in 2020, by an internal valuation, which utilised the independent Valuer-General data, which saw parcels revalued in 2019 and the data released to Council, in 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

This revaluation saw an increase in Operational Land, being a combination of a rise in value by the Valuer-General, for a number of parcels and a parcel being brought to account, which hadn't previously been taken up.

Crown Land increased due to a combination of a rise in value by the Valuer-General, for a number of parcels and due to Crown Land, not previously held by Bourke Shire Council being brought to account.

Community Land decreased due to a change in the value by the Valuer-General between the office's valuations and a decrease in value of some parcels, purchased since the last valuation, between the recorded purchase price, at cost and the Valuer-General's 2020 valuation.

Buildings – non specialised and specialised

Non Specialised & Specialised Buildings were valued by Australis Asset Advisory Group as at 30th June 2018, at Fair Value. This approach estimated the fair value for each building by componentising the building into significant parts.

All buildings were physically inspected and elements such as useful life reassessed. An independent valuation is conducted every five years and is scheduled for revaluation in 2023.

These assets have been classified as Level 3 valuation inputs.

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

Other structures

The majority of this class of assets was valued by SFV as at 30th June 2016, at Fair Value.

The remaining portion is valued utilising the cost approach. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, residual value, asset condition and useful life, will impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

Examples of assets within these classes are as follows:

Waste Depot, Structures other than Buildings and Saleyards, including fences, street furniture, bolards.

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

Roads

Roads comprise of road carriageway, roadside shoulders, islands, kerb & guttering. They include sections sealed and unsealed.

An independent valuation was conducted by EMC-Works in 2020. The physical inspection took place in December 2019, with the report presenting the assets at fair value, as at 30th June 2020. Assets acquired between January and June 2020 were brought to account at cost.

The valuation used fair value measurements in accordance with Level 3 inputs.

For Level 3 measurement estimates for the works were prepared using BSC rates (labour, plant, materials) and/ or contract rates

An independent valuation is conducted every five years, with the next scheduled valuation being 2025.

Bridges

Bridge assets were valued by EMC-Works as at 30th June 2020, at Current Replacement Cost. This category consists of all concrete bridges.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

This revaluation saw an increase in value since the last revaluation in 2015. This was due to an increase in unit rate, based on industry increase of cost of construction, in the last 5 years and reflected in assets brought to account at cost since 2015.

These assets have been classified as Level 3 valuation inputs.

An independent valuation is conducted every five years, with the next scheduled valuation being 2025.

Footpaths

Footpath assets were valued by EMC-Works as at 30th June 2020, at Current Replacement Cost. The carrying amount of these is assumed to approximate fair value due to the nature of the items. Due to the different types and uses for footpaths/shared pathways, across the LGA all 3 levels of fair value measurement, are applicable.

For Level 3 measurement estimates for the works were prepared using BSC rates (labour, plant, materials) and/ or contract rates.

An independent valuation is conducted every five years, with the next scheduled valuation being 2025.

Aerodromes

Aerodrome assets comprise of runways and air strips, lighting and security assets. They include sealed and unsealed runways and air strips.

The carrying amount of these is assumed to approximate fair value due to the nature of the items. Due to the different types and sophistication, of the assets, across the LGA all 3 levels of fair value measurement, are applicable.

For Level 3 measurement estimates for the works were prepared using BSC rates (labour, plant, materials) and/ or contract rates.

An independent valuation is conducted every five years, with the next scheduled valuation being 2025.

Drainage infrastructure

Stormwater Drainage assets were valued by EMC-Works as at 30th June 2020, at Current Replacement Cost Assets within this class comprise pit, traps, pipes and channels.

The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors in determination of fair value.

While unit rates based on elements, such as linear metres and pipe diameter, may be supported by market evidence (Level 2) other inputs such as estimates of consumption, residual value, asset condition and useful life, require extensive professional judgement and impact significantly on the final determination of fair value.

For Level 3 measurement estimates for the works were prepared using BSC rates (labour, plant, materials) and/ or contract rates.

An independent valuation is conducted every five years, with the next scheduled valuation being 2025.

Water supply network

Water Supply assets were valued by Australis Asset Advisory Group as at 30th June 2017 at Current Replacement Cost and utilising Fair Value measurement.

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

The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors.

While unit rates based on elements, such as linear metres and pipe diameter, may be supported by market evidence (Level 2) other inputs such as estimates of consumption, residual value, asset condition and useful life, require extensive professional judgement and impact significantly on the final determination of fair value.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

These assets have been classified as Level 3 valuation inputs.

These assets are indexed each year in line with the NSW Reference Rates manual as published by the Office of Water.

Water assets are independently valued every five years. And are scheduled for revaluation in 2022.

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

Sewerage network

Sewerage Network assets were valued by Australis Asset Advisory Group as at 30th June 2017 at Current Replacement Cost and utilising Fair Value measurement.

Assets within this class comprise pumping stations, treatment plant and pipelines.

The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors.

While unit rates based on elements, such as linear metres and pipe diameter, may be supported by market evidence (Level 2) other inputs such as estimates of consumption, residual value, asset condition and useful life, require extensive professional judgement and impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

These assets are indexed each year in line with the NSW Reference Rates manual as published by the Office of Water.

Sewerage assets are independently valued every five years and are scheduled for revaluation in 2022.

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

Swimming pools

Assets within this class comprise Council's outdoor swimming pool.

The Cost Approach was utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors.

Valuations for this asset class were undertaken in-house based on actual costs and assumptions from the Council's Environmental Services Department.

These assets have been classified as Level 3 valuation inputs.

While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, residual value, asset condition and useful life, required extensive professional judgement and impact significantly on the final determination of fair value.

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

Open spaces/recreational assets

Assets within this class comprise leisure and sporting equipment and facilities within cemeteries, parks, ovals sporting complexes and other recreational areas.

The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors. These assets have been classified as Level 3 valuation inputs. All assets were valued in-house by experienced Department staff.

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

An independent valuation is conducted every five years, with the next scheduled valuation being 2021.

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.

	Plant and equipment \$ '000	Office equipment \$ '000	Operational land \$ '000	Crown/ Community land \$ '000	Buildings non-specialised \$ '000	Buildings specialised \$ '000	Other Structures \$ '000	Swimming pools \$ '000	Roads \$ '000
2019									
Opening balance	3,772	423	2,260	1,845	2,384	14,024	3,181	1,602	132,229
Transfers from/(to) another asset class	6	–	(1)	7	–	41	–	–	202
Purchases (GBV)	2,131	36	–	91	26	336	111	127	9,045
Disposals (WDV)	(92)	–	–	–	(1)	–	–	(10)	(179)
Depreciation and impairment	(957)	(63)	–	–	(79)	(491)	(348)	(84)	(1,356)
Rounding	–	(1)	–	–	–	(1)	–	1	–
Closing balance	4,860	395	2,259	1,943	2,330	13,909	2,944	1,636	139,941
2020									
Opening balance	4,860	395	2,259	1,943	2,330	13,909	2,944	1,636	139,941
Transfers from/(to) another asset class	11	–	–	–	–	(11)	36	–	–
Purchases (GBV)	1,686	124	54	–	168	411	596	24	7,274
Disposals (WDV)	(168)	–	–	–	–	(20)	(16)	–	(638)
Depreciation and impairment	(1,073)	(67)	–	–	(81)	(510)	(359)	(88)	(1,468)
Other movement (Indexation)	–	–	142	575	–	–	–	–	3,154
Rounding	–	–	(1)	–	–	–	–	(1)	–
Closing balance	5,316	452	2,454	2,518	2,417	13,779	3,201	1,571	148,263

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

	Bridges \$ '000	Footpaths \$ '000	Recreational \$ '000	Water Supply network \$ '000	Sewerage Network \$ '000	Levee banks stormwater drainage \$ '000	Lib/Hertge Aero/Other \$ '000	Total \$ '000
2019								
Opening balance	16,522	1,910	3,271	18,150	10,013	12,225	6,614	230,425
Transfers from/(to) another asset class	–	–	43	–	–	–	24	322
Purchases (GBV)	–	–	739	635	–	85	154	13,516
Disposals (WDV)	–	–	(64)	–	–	(2)	(19)	(367)
Depreciation and impairment	(248)	(72)	(199)	(1,121)	(313)	(281)	(157)	(5,769)
Other movement (Indexation)	–	–	–	267	155	–	–	422
Rounding	1	–	–	2	(1)	1	1	3
Closing balance	16,275	1,838	3,790	17,933	9,854	12,028	6,617	238,552
2020								
Opening balance	16,275	1,838	3,790	17,933	9,854	12,028	6,617	238,552
Transfers from/(to) another asset class	–	–	–	(36)	–	–	–	–
Purchases (GBV)	44	905	627	4,247	–	583	30	16,773
Disposals (WDV)	–	–	–	–	–	–	(3)	(845)
Depreciation and impairment	(248)	(73)	(240)	(1,088)	(309)	(280)	(161)	(6,045)
Other movement (Indexation)	4,940	(269)	–	160	91	9,054	(501)	17,346
Rounding	(1)	–	(1)	–	–	1	–	(3)
Closing balance	21,010	2,401	4,176	21,216	9,636	21,386	5,982	265,778

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

Transfers out of Level 3 into level 2 and Level 1 are as per the class revaluations.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant and equipment	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Land	Fair value	Land Value as per Valuer General value
Buildings	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Roads, Bridges & Footpaths	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Aerodromes	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Stormwater/Levees	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Water Supply	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Sewerage Network	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Other Structures, Open Spaces & Swim Pools	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Other Assets - Library, Heritage, Office Equip & Furniture & Fittings	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

(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:

	2020 \$ '000	2019 \$ '000
Compensation:		
Short-term benefits	1,002	920
Post-employment benefits	96	85
Other long-term benefits	27	33
Total	1,125	1,038

(b) Other transactions with KMP and their related parties

Nature of the transaction	Ref	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
2020						
Accommodation	1	17	–	7 days	–	–
Supply of Air-conditioning and repairs	3	10	–	7 days	–	–
Supply of consumables	2	289	–	30 days	–	–
Supply of consumables	2	–	–	30 days	–	–
Contract works	4	617	–	14 days	–	–
Advertising and media	6	116	–	7 days	–	–
Sale of property	7	558	–	At purchase	–	–
Legal services	8	10	–	14 days	–	–
Membership of incorporated association	9	10	–	30 days	–	–

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

Note 23. Related party disclosures (continued)

Nature of the transaction	Ref	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
2019						
Accommodation	1	13	–		–	–
Supply of Air-conditioning and repairs	3	201	–		–	–
Supply of consumables	2	8	–		–	–
Supply of consumables	2	6	–		–	–
Contract works	4	17	–		–	–
Advertising and media	6	112	–		–	–
Sale of property	7	–	–		–	–
Legal services	8	–	–		–	–
Membership of incorporated association	9	–	–		–	–

- 1 Accommodation provided to key contracting staff that are working for longer periods of time. The procurement of the accommodation is undertaken in line with the current Procurement Policy. Amounts billed were based on normal rates for such a supply and were due and payable under normal payment terms.
- 2 Council purchased giftware during the year from a KMP family member. Amounts billed were based on normal rates for such supplies and were due and payable under normal payment conditions
- 3 Close family members of Council's KMP are engaged to undertake service , repair and installation works. They are also provide goods and service to the Council. This works is procured under the conditions of the Procurement Policy. Amounts billed were based on normal rates for such supplies and were due and payable under normal payment conditions following the procurement process
- 4 Contract works undertaken by the KMP within a speciality area. The KMP was Councillor. Amounts billed were based on normal rates for such supply and were due and payable under normal payment terms
- 5 Council required services of the Veterinary Service, the vet is a close family member of KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the council's procurement process
- 6 Media and advertising works undertaken by the KMP. The KMP is a Councillor. Amounts billed were based on normal rates for such a supply and were due and payable under normal payment terms
- 7 Sale of Property to Council that was fit for purpose for the identified use. Amounts billed were based on the agreed price and were due and payable under normal payment terms through the contract.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures (continued)

- 8 Legal works undertake on behalf of Council, the Solicitor is a KMP. This works is procured under the conditions of hte procurement policy. Amounts billed were based on normal rates for such supply and were due and payable under normal payment conditions.
- 9 Council is a member of the Outback Arts Incorporated, the members is a KMP. Amounts billed were based on normal rates agreed through the incorporated body and were due and payable under normal payment terms.

(c) Other related party transactions

	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
2020					
Far North West Joint Organisation - Council is a member of the FNWJO with two other councils, each council contributes an equal amount each year for the operations of the organisation for the benefit of the residents and ratepayers of each area.	10	-	Untied member contribution	-	-
2019					
Far North West Joint Organisation - Council is a member of the FNWJO with two other councils, each council contributes an equal amount each year for the operations of the organisation for the benefit of the residents and ratepayers of each area.	10	-	Untied member contribution	-	-

Note 24. Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund

	General ¹ 2020 \$ '000	Water 2020 \$ '000	Sewer 2020 \$ '000
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	2,285	1,016	816
User charges and fees	2,952	616	1
Interest and investment revenue	418	76	43
Other revenues	507	88	88
Grants and contributions provided for operating purposes	11,323	1,940	5
Grants and contributions provided for capital purposes	9,136	5,022	–
Net gains from disposal of assets	–	1	8
Rental income	209	–	–
Total income from continuing operations	26,830	8,759	961
Expenses from continuing operations			
Employee benefits and on-costs	7,312	186	118
Borrowing costs	172	12	5
Materials and contracts	3,958	1,068	247
Depreciation and amortisation	4,577	1,176	312
Other expenses	1,913	613	317
Net losses from the disposal of assets	505	–	–
Share of interests in joint ventures and associates using the equity method	3,070	–	–
Total expenses from continuing operations	21,507	3,055	999
Operating result from continuing operations	5,323	5,704	(38)
Net operating result for the year	5,323	5,704	(38)
Net operating result attributable to each council fund	5,323	5,704	(38)
Net operating result for the year before grants and contributions provided for capital purposes	(3,813)	682	(38)

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund (continued)

	General ¹ 2020 \$ '000	Water 2020 \$ '000	Sewer 2020 \$ '000
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	2,619	2,672	2,051
Investments	15,644	–	–
Receivables	3,700	2,101	118
Inventories	102	–	–
Total current assets	22,065	4,773	2,169
Non-current assets			
Receivables	151	30	43
Infrastructure, property, plant and equipment	240,591	25,222	9,751
Investments accounted for using the equity method	663	–	–
Right of use assets	3	–	–
Total non-current assets	241,408	25,252	9,794
TOTAL ASSETS	263,473	30,025	11,963
LIABILITIES			
Current liabilities			
Payables	1,469	948	10
Income received in advance	182	–	–
Contract liabilities	550	197	–
Lease liabilities	4	–	–
Borrowings	1,050	40	5
Provisions	3,132	198	132
Total current liabilities	6,387	1,383	147
Non-current liabilities			
Borrowings	3,307	305	66
Provisions	129	7	4
Total non-current liabilities	3,436	312	70
TOTAL LIABILITIES	9,823	1,695	217
Net assets	253,650	28,330	11,746
EQUITY			
Accumulated surplus	144,768	14,810	4,599
Revaluation reserves	108,882	13,520	7,147
Council equity interest	253,650	28,330	11,746
Total equity	253,650	28,330	11,746

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	397				
Total continuing operating revenue excluding capital grants and contributions ¹	22,383	1.77%	2.63%	9.48%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	9,115				
Total continuing operating revenue ¹	36,541	24.94%	24.94%	44.41%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions	20,572				
Current liabilities less specific purpose liabilities	4,037	5.10x	4.32x	5.26x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6,651				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,229	5.41x	6.40x	7.53x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	854				
Rates, annual and extra charges collectible	5,045	16.93%	16.62%	14.97%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	22,986				
Monthly payments from cash flow of operating and financing activities	1,743	13.19 mths	17.65 mths	10.74 mths	>3.00 mths

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(1.40)%	9.29%	18.25%	(49.11)%	(3.95)%	(2.88)%	>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	23.72%	18.21%	20.52%	67.04%	99.48%	99.31%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	5.10x	4.32x	1.38x	0.83x	0.80x	0.80x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3.84x	6.42x	38.16x	2.34x	31.00x	27.55x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	11.58%	19.13%	30.17%	10.65%	15.91%	19.24%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	14.26	15.63	6.60	26.92	35.72	32.31	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

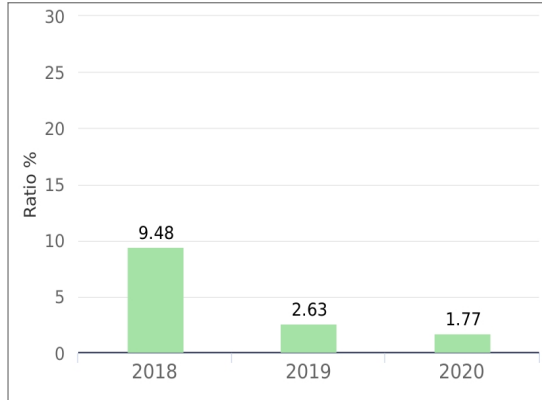
(1) - (2) Refer to Notes at Note 31a above.

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

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

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

1. Operating performance ratio



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2019/20 result

2019/20 ratio 1.77%

The Council's operating performance ratio for the current year remains above the industry benchmark of zero %.

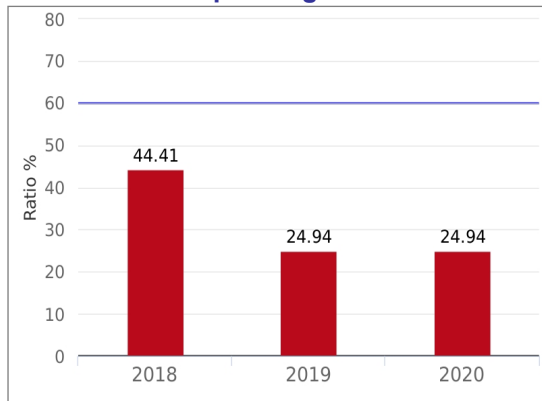
Benchmark: — > 0.00%

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 24.94%

The Own Source Fund Ratio measures Council's dependence on external funding. The benchmark set by the OLG is 60%. Council is under this level due to the large amount of grant fund received in 2019/2020.

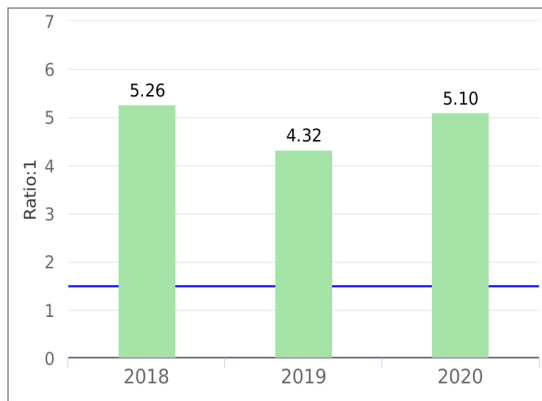
Benchmark: — > 60.00%

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 5.10x

The Unrestricted Ratio measures Council's ability to meet short term obligations as they fall due. The OLG's benchmark is greater than x1.5. Council is favorably above this ratio.

Benchmark: — > 1.50x

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

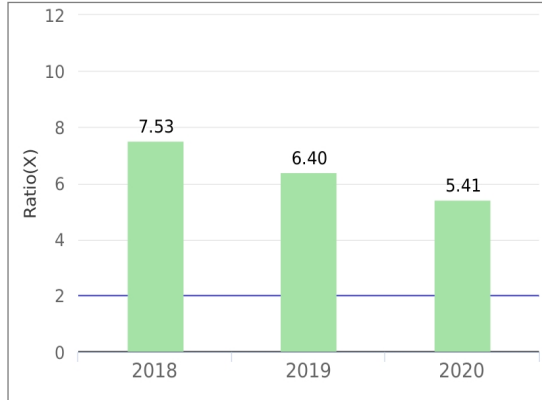
Ratio achieves benchmark

Ratio is outside benchmark

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 5.41x

Debt Service Ratio indicates Council is also in a healthy position to cover its debt obligations.

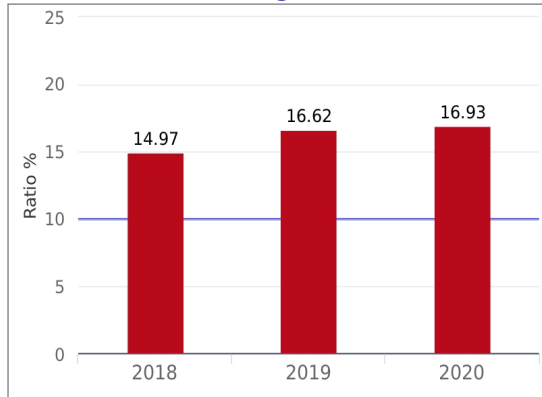
Benchmark: — > 2.00x

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 16.93%

The Rates & Charges Outstanding Ratio for rural councils is set at 10% by the OLG, the Council is above this benchmark.

Council continues to work with the Ratepayers to improve the recovery of outstanding accounts and a significant amount of the outstanding Rates & Charges have been paid after balance date, or are anticipated to be paid in the 2020/21 FY.

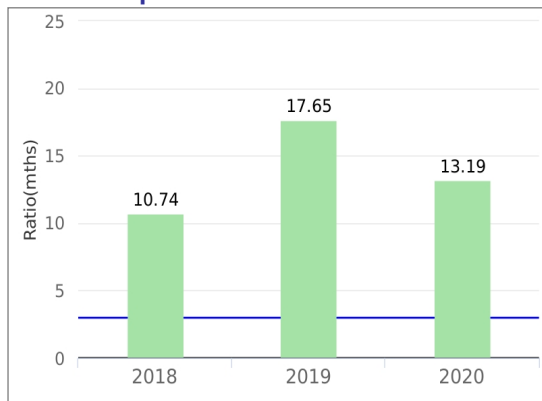
Benchmark: — < 10.00%

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 13.19 mths

Council is in a healthy cash position to satisfy obligations for its short term and unrestricted activities.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Council information and contact details

Principal place of business:

29 Mitchell Street
Bourke NSW 2840

Contact details

Council's Office hours are 8.00am to 4.30pm daily.

Service NSW office hours are Monday to Thursday 8.30am to 4pm and Friday 8.30am to 3.45pm.

Council can be contacted by telephoning (02) 6830 8000 or by email at bourkeshire@bourke.nsw.gov.au.

Council's website address is www.bourke.nsw.gov.au

Mailing Address:

29 Mitchell Street

or

PO Box 21
Bourke NSW 2840

Officers

General Manager
Ross Earl

Responsible Accounting Officer
Leonie Brown

Public Officer
Leonie Brown

Auditors
Auditor General of NSW

Elected members

Mayor
Clr Barry Holman

Councillors

Cr. Lachlan Ford (Deputy Mayor)
Cr. Victor Bartley
Cr. Sarah Barton
Cr. Ian Cole
Cr. Sally Davis
Cr. Cec Dorrington
Cr. Sam Rice
Cr. Robert Stutsel
Cr. John Thompson

Other information

ABN: 96 716 194 950



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bourke Shire Council

To the Councillors of Bourke Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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



Manuel Moncada

Delegate of the Auditor-General for New South Wales

30 September 2020
SYDNEY



Cr Barry Hollman
 Mayor
 Bourke Shire Council
 PO Box 21
 BOURKE NSW 2840

Contact: Manuel Moncada
 Phone no: 02 9275 7333
 Our ref: D2020396/1698

30 September 2020

Dear Mayor

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

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

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	4.1	4.0	↑ 2.5
Grants and contributions revenue	27.4	26.1	↑ 5.0
Operating result from continuing operations	11.0	17.9	↓ 38.5
Net operating result before capital grants and contributions	(4.6)	4.2	↓ 210

Council's operating result (\$11 million including the effect of depreciation and amortisation expense of \$6.1 million) was \$6.9 million lower than the 2018–19 result. This was mainly due to the reduction in Council's share of the net assets of the Far North West Joint Organisation (FNWJO) amounting to \$3.1 million, compared to an increase of \$3.7 million during the previous year.

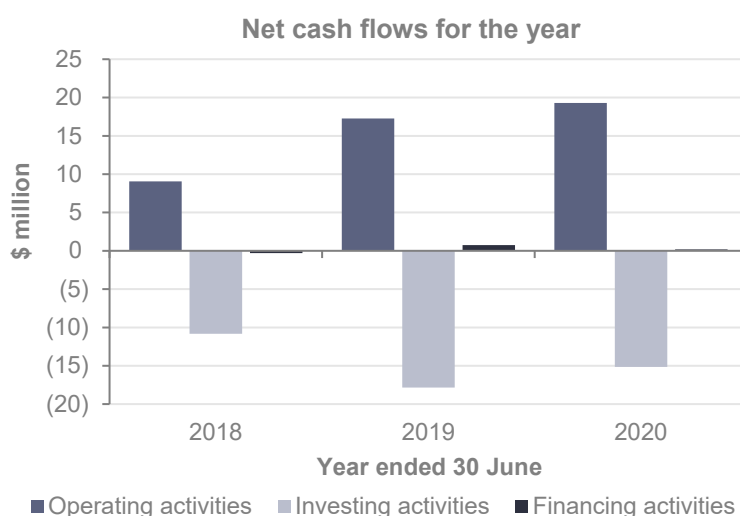
The net operating result before capital grants and contributions (\$4.6 million deficit) was \$8.8 million lower than the 2018–19 result. This was due to Council's involvement in the FNWJO noted above, combined with additional costs and reduced revenue from operating grants.

Rates and annual charges revenue (\$4.1 million) increased by \$100,000 (2.5 per cent) in 2019–2020.

Grants and contributions revenue (\$27.4 million) increased by \$1.3 million (5 per cent) in 2019–2020. This was primarily due to the receipts of non-cash contributions in respect to water supply assets.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased/decreased by \$4.3 million to \$7.3 million at the close of the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	6.2	9.8	• External restrictions include unspent specific purpose grants and domestic waste management charges, and water and sewerage funds.
Internal restrictions	3.9	3.6	
Unrestricted	12.9	10.2	• Balances are internally restricted due to Council policy or decisions for forward plans including works program. • Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	23.0	23.6	

Debt

After repaying principal and interest of \$1.2 million and taking up an additional borrowing of \$1.2 million during the financial year, total debt as at 30 June 2020 was \$4.8 million (2019: \$4.6 million).

PERFORMANCE

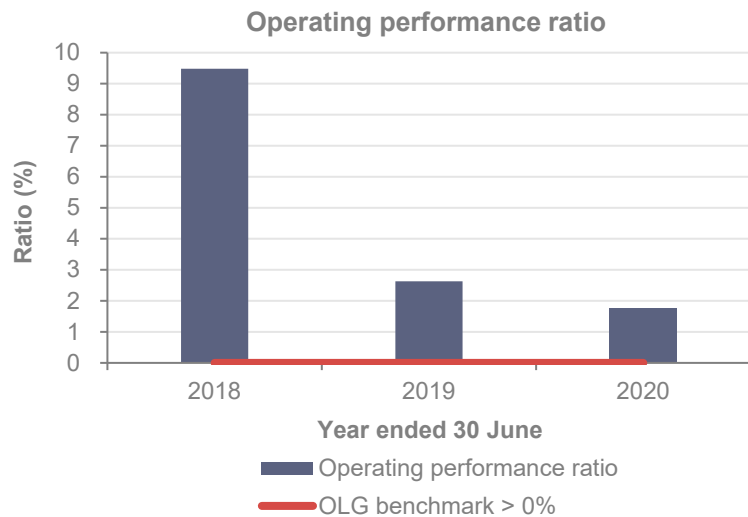
Performance measures

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.

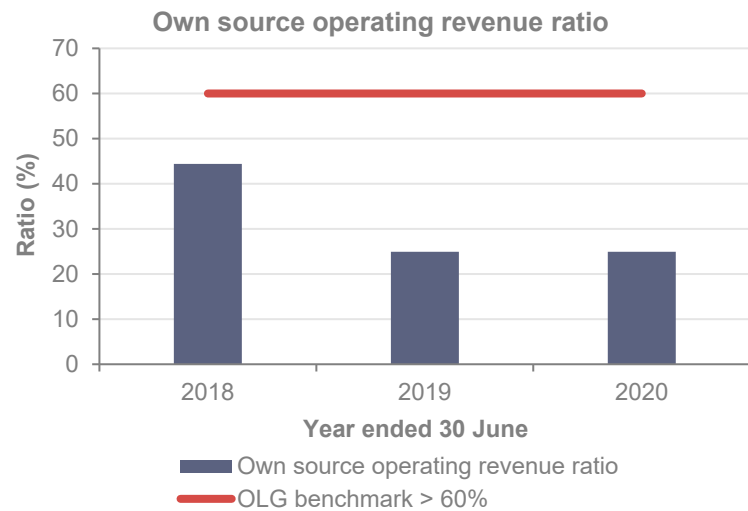
The Council met the OLG benchmark for the current reporting period.



Own source operating revenue ratio

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

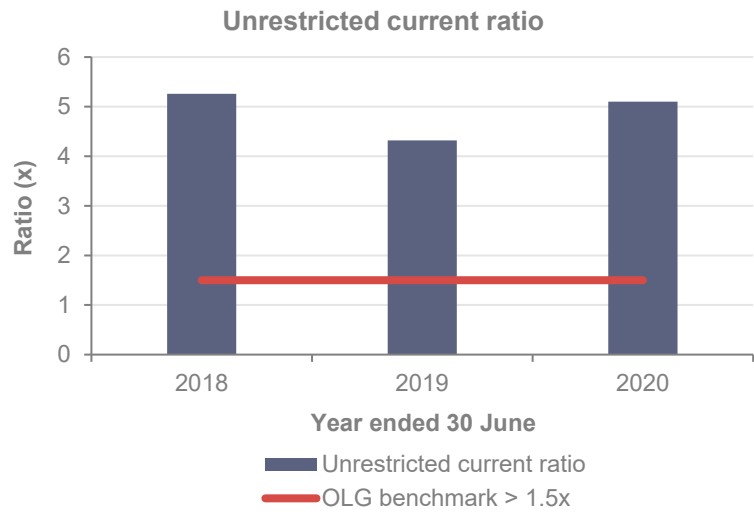
The Council did not meet the OLG benchmark for the current reporting period.



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.

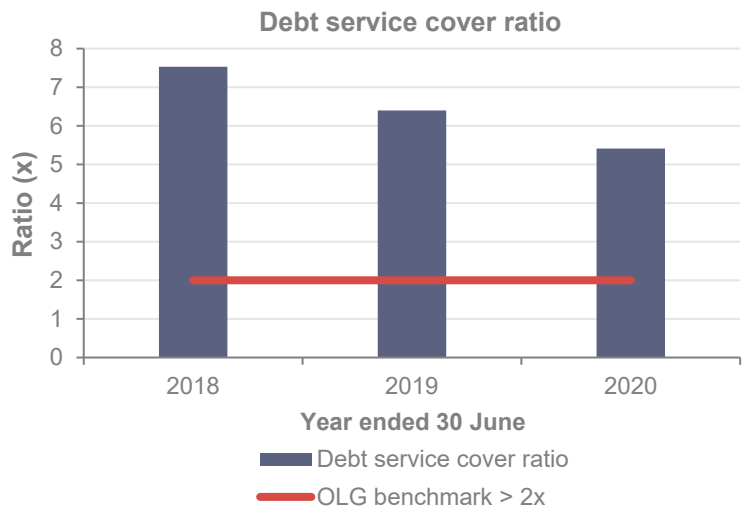
The Council exceeded the OLG benchmark for the current reporting period.



Debt service cover ratio

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

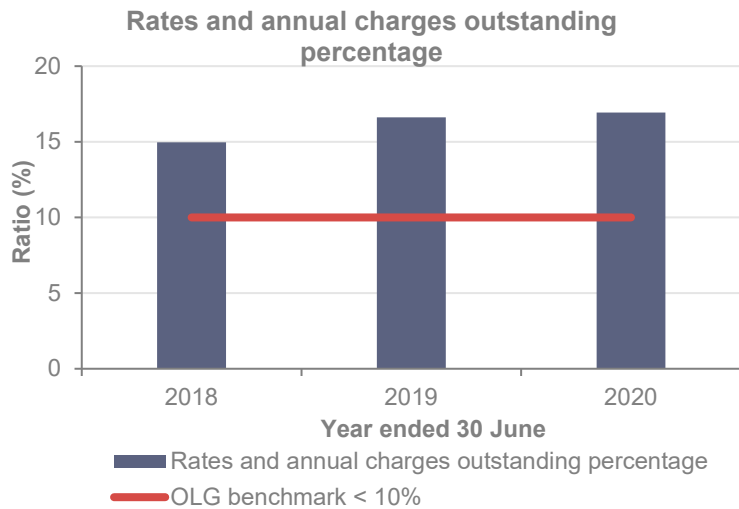
The Council exceeded the OLG benchmark for the current reporting period.



Rates and annual charges outstanding percentage

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

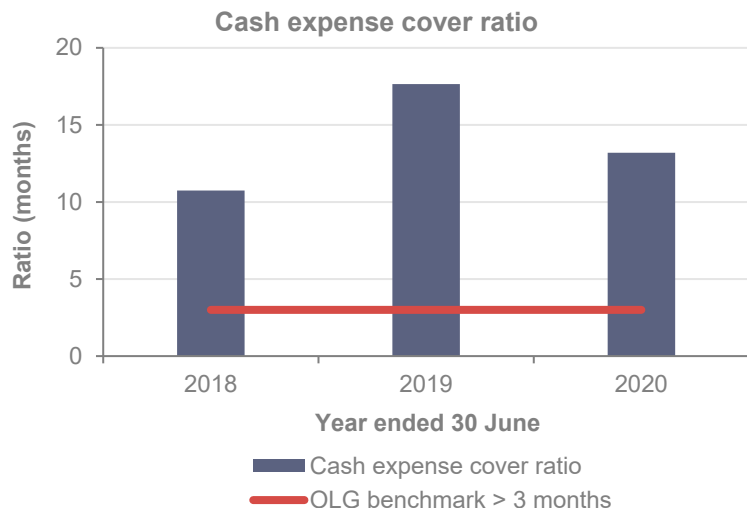
The Council did not meet the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

The Council exceeded the OLG benchmark for the current reporting period.



Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$15.1 million compared to \$13.5 million for the prior year.
- Renewals consisted of infrastructure (\$13.3 million) and plant, equipment and other assets (\$1.8 million).
- The level of asset renewals during the year represented 251 percent of the total depreciation expense (\$6.1 million) for the year.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

The Council recognised an \$832,000 adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

AASB 16 'Leases'

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

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

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

The Council recognised right-of-use assets of \$23,000 and lease liabilities of \$23,000 at 1 July 2019 on adoption of AASB 16.

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

Legislative compliance

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

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

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.



Manuel Moncada
Delegate of the Auditor-General for New South Wales

cc: Ross Earl, General Manager
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Bourke Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

Gateway to the real outback



Special Purpose Financial Statements

for the year ended 30 June 2020

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

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).

Bourke Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

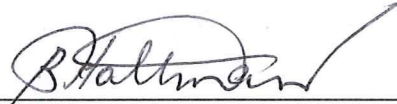
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial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

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

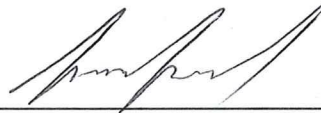
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

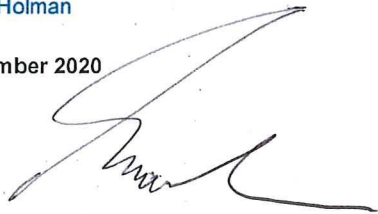
Signed in accordance with a resolution of Council made on 24 August 2020.



Clr Barry Holman
Mayor
18 September 2020



Clr Lachlan Ford
Councillor
18 September 2020



Ross Earl
General Manager
18 September 2020



Leonie Brown
Responsible Accounting Officer
18 September 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

	2020 \$ '000	2019 \$ '000
Income from continuing operations		
Access charges	1,016	1,119
User charges	608	720
Fees	8	13
Interest	76	128
Grants and contributions provided for non-capital purposes	1,940	110
Profit from the sale of assets	1	17
Other income	88	88
Total income from continuing operations	3,737	2,195
Expenses from continuing operations		
Employee benefits and on-costs	186	165
Borrowing costs	12	28
Materials and contracts	1,068	1,373
Depreciation, amortisation and impairment	1,176	1,195
Other expenses	613	512
Total expenses from continuing operations	3,055	3,273
Surplus (deficit) from continuing operations before capital amounts	682	(1,078)
Grants and contributions provided for capital purposes	5,022	915
Surplus (deficit) from continuing operations after capital amounts	5,704	(163)
Surplus (deficit) from all operations before tax	5,704	(163)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(188)	–
SURPLUS (DEFICIT) AFTER TAX	5,516	(163)
Plus accumulated surplus	9,106	9,269
– Corporate taxation equivalent	188	–
Closing accumulated surplus	14,810	9,106
Return on capital %	2.8%	(5.6)%
Subsidy from Council	–	1,296
Calculation of dividend payable:		
Surplus (deficit) after tax	5,516	(163)
Less: capital grants and contributions (excluding developer contributions)	(5,022)	(915)
Surplus for dividend calculation purposes	494	–
Potential dividend calculated from surplus	247	–

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

	2020 \$ '000	2019 \$ '000
Income from continuing operations		
Access charges	816	840
Fees	1	1
Interest	43	63
Grants and contributions provided for non-capital purposes	5	5
Profit from the sale of assets	8	–
Other income	88	98
Total income from continuing operations	961	1,007
Expenses from continuing operations		
Employee benefits and on-costs	118	107
Borrowing costs	5	7
Materials and contracts	247	346
Depreciation, amortisation and impairment	312	325
Other expenses	317	251
Total expenses from continuing operations	999	1,036
Surplus (deficit) from continuing operations before capital amounts	(38)	(29)
Grants and contributions provided for capital purposes	–	2
Surplus (deficit) from continuing operations after capital amounts	(38)	(27)
Surplus (deficit) from all operations before tax	(38)	(27)
SURPLUS (DEFICIT) AFTER TAX	(38)	(27)
Plus accumulated surplus	4,637	4,664
Closing accumulated surplus	4,599	4,637
Return on capital %	(0.3)%	(0.2)%
Subsidy from Council	119	154
Calculation of dividend payable:		
Surplus (deficit) after tax	(38)	(27)
Less: capital grants and contributions (excluding developer contributions)	–	(2)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

	2020 \$ '000	2019 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	2,672	4,283
Receivables	2,101	541
Other	–	1
Total current assets	4,773	4,825
Non-current assets		
Receivables	30	29
Infrastructure, property, plant and equipment	25,222	18,618
Total non-current assets	25,252	18,647
TOTAL ASSETS	30,025	23,472
LIABILITIES		
Current liabilities		
Payables	948	437
Contract Liabilities	197	–
Borrowings	40	37
Provisions	198	181
Total current liabilities	1,383	655
Non-current liabilities		
Borrowings	305	345
Provisions	7	6
Total non-current liabilities	312	351
TOTAL LIABILITIES	1,695	1,006
NET ASSETS	28,330	22,466
EQUITY		
Accumulated surplus	14,810	9,106
Revaluation reserves	13,520	13,360
TOTAL EQUITY	28,330	22,466

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

	2020 \$ '000	2019 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	2,051	1,758
Receivables	118	127
Total current assets	2,169	1,885
Non-current assets		
Receivables	43	55
Infrastructure, property, plant and equipment	9,751	9,987
Total non-current assets	9,794	10,042
TOTAL ASSETS	11,963	11,927
LIABILITIES		
Current liabilities		
Payables	10	34
Borrowings	5	4
Provisions	132	121
Total current liabilities	147	159
Non-current liabilities		
Borrowings	66	71
Provisions	4	4
Total non-current liabilities	70	75
TOTAL LIABILITIES	217	234
NET ASSETS	11,746	11,693
EQUITY		
Accumulated surplus	4,599	4,637
Revaluation reserves	7,147	7,056
TOTAL EQUITY	11,746	11,693

Bourke Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

Council has no Category 1 Business Activities.

Category 2

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

a. Bourke Shire Council Water Supplies

Water supply operations and net assets servicing the town of Bourke and the villages of Byrock, Enngonia, Fords Bridge, Louth and Wanaaring.

b. Bourke Shire Council Sewerage Service

Sewerage reticulation and treatment operations and net assets servicing the town of Bourke.

Monetary amounts

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

Bourke Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Bourke Shire Council

To the Councillors of Bourke Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Business
- Sewerage Business

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.

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.



Manuel Moncada

Delegate of the Auditor-General for New South Wales

30 September 2020
SYDNEY

Bourke Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Gateway to the real outback

Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2019/20 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	1,909	1,864
Plus or minus adjustments ²	b	(1)	(2)
Notional general income	c = a + b	1,908	1,862
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	50	51
Sub-total	k = (c + g + h + i + j)	1,958	1,913
Plus (or minus) last year's carry forward total	l	–	(3)
Less valuation objections claimed in the previous year	m	–	(1)
Sub-total	n = (l + m)	–	(4)
Total permissible income	o = k + n	1,958	1,909
Less notional general income yield	p	1,957	1,909
Catch-up or (excess) result	q = o – p	1	–
Carry forward to next year ⁶	t = q + r + s	1	–

Notes

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



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

To the Councillors of Bourke Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

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

Manuel Moncada

Delegate of the Auditor-General for New South Wales

30 September 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	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – non-specialised	–	–	53	39	2,417	3,533	5.0%	18.0%	71.0%	6.0%	0.0%	0.0%
	Buildings – specialised	770	770	309	388	13,779	25,597	4.0%	21.0%	60.0%	15.0%	0.0%	0.0%
	Sub-total	770	770	362	427	16,196	29,130	4.1%	20.6%	61.3%	13.9%	0.0%	0.0%
Other structures	Other Structures	–	–	51	101	3,201	6,369	11.0%	57.0%	29.0%	3.0%	0.0%	0.0%
	Sub-total	–	–	51	101	3,201	6,369	11.0%	57.0%	29.0%	3.0%	0.0%	0.0%
Roads	Sealed roads	–	–	557	636	44,000	54,284	67.0%	7.0%	19.0%	7.0%	0.0%	0.0%
	Unsealed roads	–	–	2,442	2,015	95,221	98,354	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
	Bridges	–	–	–	20	21,010	32,114	39.0%	57.0%	4.0%	0.0%	0.0%	0.0%
	Footpaths	350	350	42	4	2,401	5,894	16.0%	26.0%	58.0%	0.0%	0.0%	0.0%
	Other road assets	–	–	–	–	5,905	10,445	70.0%	20.0%	10.0%	0.0%	0.0%	0.0%
	Kerb & Guttering	2,700	2,700	28	4	3,137	11,643	1.0%	5.0%	85.0%	9.0%	0.0%	0.0%
	Sub-total	3,050	3,050	3,069	2,679	171,674	212,734	26.9%	12.4%	58.4%	2.3%	0.0%	0.0%
Water supply network	Water supply network	400	400	739	893	21,216	40,012	25.0%	25.0%	45.0%	5.0%	0.0%	0.0%
	Sub-total	400	400	739	893	21,216	40,012	25.0%	25.0%	45.0%	5.0%	0.0%	0.0%
Sewerage network	Sewerage network	–	–	297	246	9,636	20,849	5.0%	26.0%	69.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	297	246	9,636	20,849	5.0%	26.0%	69.0%	0.0%	0.0%	0.0%
Stormwater drainage	Stormwater drainage	–	–	50	125	3,621	5,440	13.0%	35.0%	52.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	50	125	3,621	5,440	13.0%	35.0%	52.0%	0.0%	0.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	17	12	1,571	3,136	5.0%	27.0%	68.0%	0.0%	0.0%	0.0%
	Other Open Spaces	–	–	257	138	4,176	8,849	17.0%	32.0%	49.0%	2.0%	0.0%	0.0%
	Sub-total	–	–	274	150	5,747	11,985	13.9%	30.7%	54.0%	1.5%	0.0%	0.0%
Other infrastructure assets	Aerodromes	–	–	13	79	3,879	4,923	77.0%	14.0%	4.0%	4.0%	1.0%	0.0%
	Sub-total	–	–	13	79	3,879	4,923	77.0%	14.0%	4.0%	4.0%	1.0%	0.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Additional asset class (if required)	infrastructure – Levee Banks	–	–	37	11	17,765	24,709	15.0%	84.0%	1.0%	0.0%	0.0%
	Sub-total	–	–	37	11	17,765	24,709	15.0%	84.0%	1.0%	0.0%	0.0%
Additional asset class (if required)	Heritage Items	–	–	–	–	1,948	2,530	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	–	–	–	–	1,948	2,530	0.0%	0.0%	100.0%	0.0%	0.0%
	TOTAL - ALL ASSETS	4,220	4,220	4,892	4,711	254,883	358,681	22.3%	21.9%	52.6%	3.2%	0.0%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	7,788	166.66%	213.73%	67.61%	>=100.00%
Depreciation, amortisation and impairment	4,673				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	4,220	1.66%	2.01%	2.67%	<2.00%
Net carrying amount of infrastructure assets	254,883				
Asset maintenance ratio					
Actual asset maintenance	4,711	96.30%	95.87%	90.10%	>100.00%
Required asset maintenance	4,892				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	4,220	1.18%	1.35%	1.16%	
Gross replacement cost	358,681				

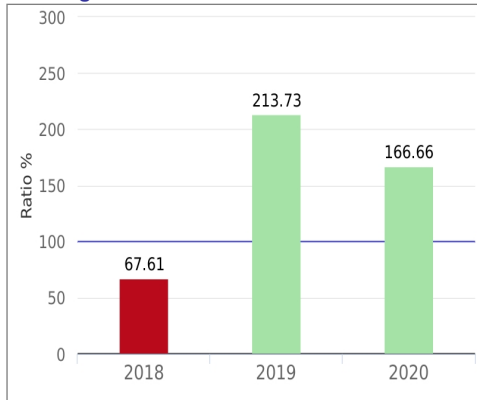
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

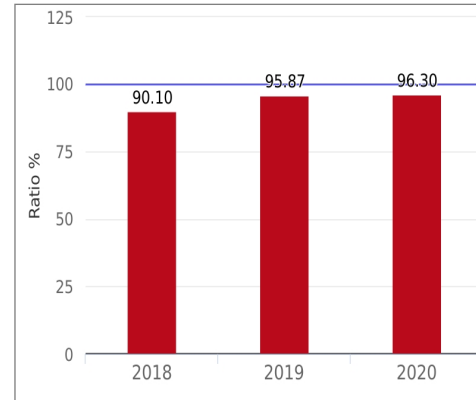
Commentary on result

19/20 ratio 166.66%

Renewals in current year assisted by continued significant grant funding has maintained this ratio in a strong positive position.

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.

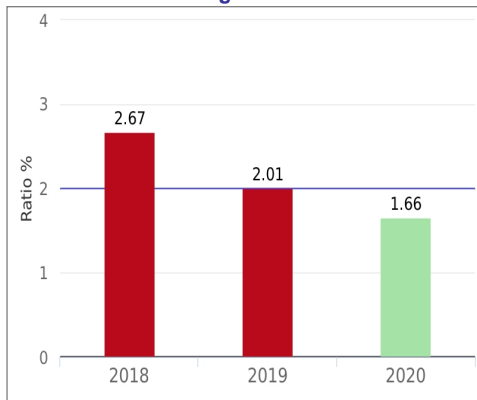
Commentary on result

19/20 ratio 96.30%

This ratio has remained very close to benchmark during the current year and recognises Council's effort to maintain assets in a serviceable condition.

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.

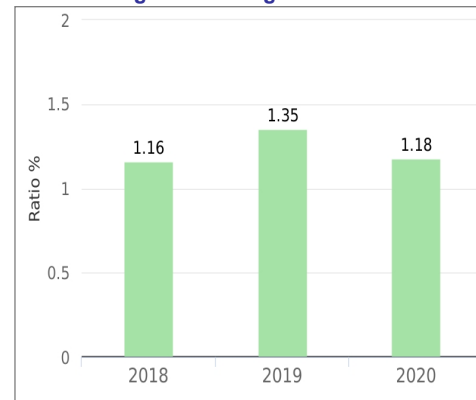
Commentary on result

19/20 ratio 1.66%

Council has continued the ratio trend in positive direction for each of the past four years.

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 1.18%

Council continues to maintain its assets to a standard acceptable to its community.

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	239.85%	325.09%	0.00%	0.00%	0.00%	0.00%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	1.71%	1.90%	1.87%	3.35%	0.00%	0.00%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	92.63%	95.03%	120.84%	99.58%	82.83%	98.57%	>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	1.28%	1.41%	1.00%	1.69%	0.00%	0.00%	

(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.