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**Appendix 1**  
**Annual Financial Statements**  
**for the year ended 30 June 2020**

# Tenterfield Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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*"Quality Nature, Quality Heritage and Quality Lifestyle"*



# Tenterfield Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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*"Quality Nature, Quality Heritage and Quality Lifestyle"*



## General Purpose Financial Statements

for the year ended 30 June 2020

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### Overview

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

247 Rouse Street  
Tenterfield NSW 2372

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.tenterfield.nsw.gov.au](http://www.tenterfield.nsw.gov.au).

## General Purpose Financial Statements

for the year ended 30 June 2020

### Understanding Council's Financial Statements

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#### 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.

## Tenterfield 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:

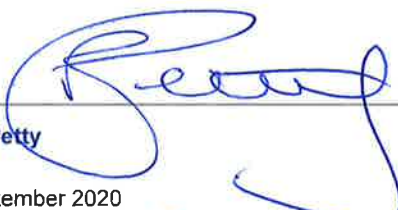
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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 23 September 2020.




\_\_\_\_\_  
**Peter Petty**  
**Mayor**  
 23 September 2020



\_\_\_\_\_  
**Greg Sauer**  
**Deputy Mayor**  
 23 September 2020



\_\_\_\_\_  
**Terry Dodds**  
**Chief Executive**  
 23 September 2020



\_\_\_\_\_  
**Paul Della**  
**Responsible Accounting Officer**  
 23 September 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019 <sup>1</sup>
<b>Income from continuing operations</b>				
10,765	Rates and annual charges	3a	10,334	9,659
2,484	User charges and fees	3b	2,447	2,606
692	Other revenues	3c	323	279
8,652	Grants and contributions provided for operating purposes	3d,3e	14,331	10,956
22,443	Grants and contributions provided for capital purposes	3d,3e	6,339	9,439
390	Interest and investment income	4	327	409
–	Net gains from the disposal of assets	6	–	120
–	Rental income	13d	140	128
45,426	<b>Total income from continuing operations</b>		34,241	33,596
<b>Expenses from continuing operations</b>				
7,166	Employee benefits and on-costs	5a	8,751	8,041
494	Borrowing costs	5b	482	462
5,034	Materials and contracts	5c	8,555	6,366
7,023	Depreciation and amortisation	5d	7,474	6,624
1,447	Other expenses	5e	2,322	1,833
265	Net losses from the disposal of assets	6	625	–
21,429	<b>Total expenses from continuing operations</b>		28,209	23,326
23,997	<b>Operating result from continuing operations</b>		6,032	10,270
23,997	<b>Net operating result for the year</b>		6,032	10,270
23,997	Net operating result attributable to council		6,032	10,270
1,554	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		(307)	831

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

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>6,032</b>	<b>10,270</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	(4,741)	51,881
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(4,741)</b>	<b>51,881</b>
<b>Total other comprehensive income for the year</b>		<b>(4,741)</b>	<b>51,881</b>
<b>Total comprehensive income for the year</b>		<b>1,291</b>	<b>62,151</b>
Total comprehensive income attributable to Council		1,291	62,151

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

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

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



## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	15,066	17,582
Investments	7(b)	–	1,000
Receivables	8	2,137	4,759
Inventories	9	610	747
Contract assets	12a	5,378	–
<b>Total current assets</b>		<u>23,191</u>	<u>24,088</u>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	10	448,164	445,970
Intangible Assets	11	729	377
Right of use assets	13a	178	–
<b>Total non-current assets</b>		<u>449,071</u>	<u>446,347</u>
<b>Total assets</b>		<u>472,262</u>	<u>470,435</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	14	3,477	2,556
Contract liabilities	12b	921	–
Lease liabilities	13b	50	–
Borrowings	14	707	822
Provisions	15	2,741	1,867
<b>Total current liabilities</b>		<u>7,896</u>	<u>5,245</u>
<b>Non-current liabilities</b>			
Lease liabilities	13b	81	–
Borrowings	14	9,603	9,233
Provisions	15	2,292	3,421
<b>Total non-current liabilities</b>		<u>11,976</u>	<u>12,654</u>
<b>Total liabilities</b>		<u>19,872</u>	<u>17,899</u>
<b>Net assets</b>		<u>452,390</u>	<u>452,536</u>
<b>EQUITY</b>			
Accumulated surplus	16	153,884	149,289
Revaluation reserves	16	298,506	303,247
<b>Council equity interest</b>		<u>452,390</u>	<u>452,536</u>
<b>Total equity</b>		<u>452,390</u>	<u>452,536</u>

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

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

## Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		149,289	303,247	452,536	135,001	247,774	382,775
Correction of prior period errors		–	–	–	4,018	3,592	7,610
Changes due to AASB 1058 and AASB 15 adoption	16	(1,437)	–	(1,437)	–	–	–
<b>Restated opening balance</b>		<b>147,852</b>	<b>303,247</b>	<b>451,099</b>	<b>139,019</b>	<b>251,366</b>	<b>390,385</b>
Net operating result for the year		6,032	–	6,032	10,270	–	10,270
<b>Restated net operating result for the period</b>		<b>6,032</b>	<b>–</b>	<b>6,032</b>	<b>10,270</b>	<b>–</b>	<b>10,270</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10	–	(4,741)	(4,741)	–	51,881	51,881
<b>Other comprehensive income</b>		<b>–</b>	<b>(4,741)</b>	<b>(4,741)</b>	<b>–</b>	<b>51,881</b>	<b>51,881</b>
<b>Total comprehensive income</b>		<b>6,032</b>	<b>(4,741)</b>	<b>1,291</b>	<b>10,270</b>	<b>51,881</b>	<b>62,151</b>
<b>Equity – balance at end of the reporting period</b>		<b>153,884</b>	<b>298,506</b>	<b>452,390</b>	<b>149,289</b>	<b>303,247</b>	<b>452,536</b>

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

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

## Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
10,765	Rates and annual charges		10,321	9,549
2,484	User charges and fees		2,872	2,150
390	Investment and interest revenue received		336	391
31,095	Grants and contributions		14,794	18,703
–	Bonds, deposits and retention amounts received		–	320
692	Other		2,464	276
<b>Payments:</b>				
(7,166)	Employee benefits and on-costs		(8,850)	(8,136)
(5,036)	Materials and contracts		(8,614)	(6,591)
(494)	Borrowing costs		(444)	(396)
–	Bonds, deposits and retention amounts refunded		(13)	–
(1,447)	Other		(1,893)	(1,191)
<b>31,283</b>	<b>Net cash provided (or used in) operating activities</b>	17b	<b>10,973</b>	<b>15,075</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		1,000	1,000
–	Sale of investment property		–	813
–	Sale of real estate assets		37	–
2,349	Sale of infrastructure, property, plant and equipment		2,231	2,311
<b>Payments:</b>				
(38,662)	Purchase of infrastructure, property, plant and equipment		(16,551)	(20,933)
–	Purchase of intangible assets		(414)	(137)
–	Deferred debtors and advances made		–	(7)
<b>(36,313)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(13,697)</b>	<b>(16,953)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
4,180	Proceeds from borrowings and advances		1,000	3,051
<b>Payments:</b>				
(798)	Repayment of borrowings and advances		(745)	(593)
–	Lease liabilities (principal repayments)		(47)	–
<b>3,382</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>208</b>	<b>2,458</b>
<b>(1,648)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,516)</b>	<b>580</b>
13,103	Plus: cash and cash equivalents – beginning of year	17a	17,582	17,002
<b>11,455</b>	<b>Cash and cash equivalents – end of the year</b>	17a	<b>15,066</b>	<b>17,582</b>
–	plus: Investments on hand – end of year	7(b)	–	1,000
<b>11,455</b>	<b>Total cash, cash equivalents and investments</b>		<b>15,066</b>	<b>18,582</b>

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

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These financial statements were authorised for issue by Council on 23 September 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

Council is a not for-profit entity.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 22 – Material budget variations

and are clearly marked.

#### COVID-19

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Potential impact of the pandemic on financial reporting for the year ended 30 June 2020 was performed through analysis of the following categories:

- Impairment of financial and non-financial assets
- Potential provisions for onerous contracts and future rehabilitation works
- Financial liabilities as a result of breach of existing contracts
- Fair value assessment of non-financial assets
- Income and revenue
- Contingent assets as a result of insurance recoveries
- COVID-19 stimulus packages
- Employee benefits
- Going concern

Analysis of the above categories was also performed considering after the balance sheet date developments of the pandemic effects in Australia and overseas.

Based on analysis performed, Council did not find any potential material adjustments required to be done as a result of the pandemic. Even though the pandemic had a widespread effect on slowing down economies around the world, as at 30 June 2020 it is hard to predict any significant future implications on Council’s business. Council’s business operations remain on the same pattern. Council is not aware of any post balance sheet date events which would result in separate disclosures or adjustments to the 30 June 2020 financial results. Hence, 30 June 2020 financial statements were prepared on a going concern basis.

#### (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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation (continued)

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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
- (iii) estimated tip remediation provisions – refer Note 15
- (iv) employee benefit provisions – refer Note 15.

#### Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

### Monies and other assets received by Council

#### (a) The Consolidated Fund

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

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

- General purpose operations
- Tenterfield Water service
- Tenterfield Sewerage service
- Stormwater Management Fund
- Waste Management Fund

Due to their immaterial value and nature, the following committees, entities and operations have been excluded from consolidation:

- Sir Henry Parkes Memorial Management Committee (Joint Committee);
- Tenterfield Saleyards Advisory Committee;
- Aboriginal Advisory Committee;
- Heritage Advisory Committee;
- ANZAC Cenenary Steering Committee; and
- Disability, Inclusion and Access Advisory Committee.

#### (b) The Trust Fund

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation (continued)

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#### 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 does not recognise services provided by volunteers in its income statement due to the immateriality and unjustifiable cost of trying to reliably capture and assign a value to the many services volunteers in our community provide.

#### 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 we do not generally enter into service concession arrangements.**

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

##### **AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

##### **AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128**

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation (continued)

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#### **AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections**

The standard amendments address an acknowledged inconsistency between the requirements in AASB10 and those in AASB128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

These amendments will only impact Council where there has been a sale or contribution of assets between Council and any Joint Venture or Associate.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

**Council does not expect any material impact to future financial statements as joint arrangements council is part of are not material and not recognised in the statement of financial position.**

Apart from the standards listed above, there are no other released standards and interpretations (with future effective dates) that are expected to have a material impact on Council.

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

#### **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 16.



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Civic Office	–	–	304	281	(304)	(281)	–	–	262	583
Organisation and Leadership	–	–	1,029	369	(1,029)	(369)	–	–	–	–
Community Development	342	36	351	66	(9)	(30)	341	36	354	354
Economic Growth and Tourism	725	148	601	528	124	(380)	684	125	1,702	1,559
Theatre and Museum Complex	159	267	304	380	(145)	(113)	72	118	173	2,009
Finance and Technology	8,586	9,771	501	1,370	8,085	8,401	3,770	4,949	10,645	14,000
Corporate and Governance	3	12	792	394	(789)	(382)	–	–	347	–
Workforce Development	214	150	1,242	94	(1,028)	56	16	23	–	–
Library Services	86	41	462	461	(376)	(420)	81	35	156	223
Emergency Services	727	614	974	856	(247)	(242)	313	611	465	493
Asset Management and Resourcing	9	7	701	664	(692)	(657)	–	–	1,881	3,104
Commercial Works	133	208	112	226	21	(18)	–	–	–	–
Environmental Management	437	888	679	319	(242)	569	433	884	21	21
Planning and Regulation	410	676	543	283	(133)	393	46	302	295	344
Plant, Fleet and Equipment	–	71	(636)	(440)	636	511	–	–	7,057	5,095
Buildings and Amenities	520	1,102	1,479	1,149	(959)	(47)	396	477	8,612	10,013
Livestock Saleyards	93	406	162	239	(69)	167	–	191	1,750	1,624
Parks, Gardens and Open Space	727	339	1,127	1,212	(400)	(873)	577	253	8,849	8,612
Swimming Complex	10	1	193	237	(183)	(236)	10	1	1,424	1,417
Stormwater and Drainage	82	64	100	134	(18)	(70)	–	–	4,786	4,811
Transport Network	9,783	11,787	9,304	7,754	479	4,033	8,140	10,504	360,547	355,258
Sewerage Services	2,471	2,253	1,666	1,793	805	460	–	–	26,200	25,315
Waste Management	2,849	2,496	2,421	2,388	428	108	53	18	7,285	7,138
Water Supply	5,875	2,259	3,798	2,569	2,077	(310)	3,605	25	29,451	28,149
Other	–	–	–	–	–	–	–	–	–	313
<b>Total functions and activities</b>	<b>34,241</b>	<b>33,596</b>	<b>28,209</b>	<b>23,326</b>	<b>6,032</b>	<b>10,270</b>	<b>18,537</b>	<b>18,552</b>	<b>472,262</b>	<b>470,435</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### Civic Office

Corporate affairs and relations; the governance framework; overall corporate performance and reporting; community advocacy; mayoral, councillor and committee support; and media and external communications.

#### Organisation and Leadership

Collaboration with other organisations and governments; continual improvement; overall strategic direction of the administrative arm; community engagement; administrative support; service integration and corporate advertising.

#### Community Development

Community engagement, development of partnerships, indigenous affairs, inclusiveness, accessible services, supporting diversity and cultural events.

#### Economic Growth and Tourism

Community prosperity, tourism, connectivity, partnering, promotion and livability. The Office of the Chief Executive directly oversees these outcomes.

#### Theatre and Museum Complex

Sir Henry Parkes School of Art; cultural diversity, events and art activities; youth engagement; volunteering; and festivals.

#### Finance and Technology

Information technology; financial sustainability and advise; investments; financial capacity; procurement compliance; regulatory and statutory compliance; business systems; property strategy, overall management and register, land mapping service (GIS).

#### Corporate and Governance

Statutory reporting, business processes and integration; procurement compliance; audit; community involvement; customer service; governance; information technology and information management; insurance, risk and business continuity; registers and records management, legal services and election support.

#### Workforce Development

Workplace health and wellbeing, planning and culture; workers compensation; workforce performance; training; recruitment, selection and retention; and internal communications.

#### Library Services

Home services; vision impaired; review and updating collections; exchanges; internet and Wi Fi access; accessible technology; exhibitions; online training and resources; research and reference services; and the management of corporate art and memorabilia.

#### Emergency Services

Integrating land use policies to support emergency management; disaster management; review of emergency management plans; inter-agency communication and collaboration; and rural addressing.

#### Asset Management and Resourcing

Review, investigation, survey, design, development and project management; asset investigation, planning, policy formulation and management (both as a bureau service to whole organisation and for transport infrastructure).

#### Commercial Works

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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Private works management, benchmarking, offsetting costs through creating synergies.

#### **Environmental Management**

Education; noxious plants; feral pests (advocacy); illegal dumping and pollution; and roads & footpath regulatory enforcement.

#### **Planning and Regulation**

Development planning, controls, assessment and certification; regulation of premises; built environment; urban design; land use data, mapping and reporting; building and assessment advice; heritage; domestic animals; public health and pollution.

#### **Plant, Fleet and Equipment**

Effective provision and management of plant, fleet, equipment, store and depots; and tendering and procurement.

#### **Buildings and Amenities**

Energy management and conservation, asset planning and maintenance scheduling; building and amenities utilisation, income generation and administration.

#### **Livestock Saleyards**

Planning, development, maintenance, operations and administration of the Saleyards.

#### **Parks, Gardens and Open Space**

Consultation, planning, development; increasing patronage; amenity; maintenance and operations; public art; cycleways; public trees; sportsgrounds (active and passive); cleanliness and administration.

#### **Swimming Complex**

Service provision; regulatory compliance; planning; supervision of patrons; and management.

#### **Stormwater and Drainage**

Ongoing management and improvement of all stormwater infrastructure, gross pollutant traps, natural urban waterways and erosion control apparatus.

#### **Transport Network**

Sustainable management and improvement of all infrastructure used to facilitate transportation: vehicular, aviation, pedestrian and cyclists; car parking; quarries; delineation, line marking, signage and lighting; regulatory compliance; emergency response and on-call; traffic committee administration; and risk mitigation.

#### **Sewerage Services**

Ongoing catchment, transportation, and treatment; monitoring, reporting, environmental compliance and emergency management; trade waste and commercial; fees and charges; public education and administration.

#### **Waste Management**

Ongoing and sustainably managing waste: reduction; recycling; landfill remediation and development; and public education.

#### **Water Supply**

Ongoing water catchment, storage, treatment, distribution, monitoring, regulating, reporting, compliance, charging and administration.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	2,041	2,044
Farmland	1058 (1)	2,255	2,200
Mining	1058 (1)	9	10
Business	1058 (1)	288	284
Less: pensioner rebates (mandatory)	1058 (1)	(137)	(138)
<b>Rates levied to ratepayers</b>		<b>4,456</b>	<b>4,400</b>
Pensioner rate subsidies received	1058 (1)	76	78
<b>Total ordinary rates</b>		<b>4,532</b>	<b>4,478</b>
<b>Annual charges</b>			
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>			
Domestic waste management services	1058 (1)	958	904
Stormwater management services	1058 (1)	73	62
Water supply services	1058 (1)	1,235	973
Sewerage services	1058 (1)	2,268	2,041
Waste management services (non-domestic)	1058 (1)	171	162
Waste management facility charge	1058 (1)	1,191	1,125
Less: pensioner rebates (mandatory)	1058 (1)	(217)	(215)
Trade waste		–	10
<b>Annual charges levied</b>		<b>5,679</b>	<b>5,062</b>
Pensioner subsidies received:			
– Water	1058 (1)	32	31
– Sewerage	1058 (1)	28	28
– Domestic waste management	1058 (1)	63	60
<b>Total annual charges</b>		<b>5,802</b>	<b>5,181</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>10,334</b>	<b>9,659</b>

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”,

Council has used 2017 year valuations provided by the NSW Valuer General in calculating its rates.

**Accounting policy for rates and charges**

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

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

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

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

**2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	825	1,112
Sewerage services	15 (2)	119	142
Waste management services (non-domestic)	15 (2)	280	228
Trade waste	15 (2)	19	24
<b>Total specific user charges</b>		<b>1,243</b>	<b>1,506</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Inspection services		13	18
Planning and building regulation	15 (1)	200	281
Private works – section 67	15 (1)	548	208
Section 10.7 certificates (EP&A Act)		–	4
Section 603 certificates		14	20
Companion animals		4	3
Local government and health act fees		10	–
<b>Total fees and charges – statutory/regulatory</b>		<b>789</b>	<b>534</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		2	–
Cemeteries	15 (1)	146	82
Saleyards	15 (1)	93	215
Tourism		30	20
Administration on grant works		–	10
Cinema	15 (1)	62	89
Library		5	6
Museum and theatre		14	49
Service installation		28	32
Trade waste		–	2
Other		35	61
<b>Total fees and charges – other</b>		<b>415</b>	<b>566</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>2,447</b>	<b>2,606</b>

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

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

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

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

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

**Accounting policy for user charges and fees**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations (continued)

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

**2019 accounting policy**

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

\$ '000	AASB	2020	2019 <sup>1</sup>
<b>(c) Other revenues</b>			
Commissions and agency fees		2	2
Diesel rebate	1058 (1)	74	71
Recycling income (non-domestic)		43	40
Insurance rebates	1058 (1)	52	28
Sale of surplus material		9	7
Net effect from de-recognition of remediation provisions		53	–
Other	1058 (1)	90	131
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>323</u></b>	<b><u>279</u></b>

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.

(1) Rental income was transferred to Note 13(d)

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	1,588	1,606	–	–
Financial assistance – local roads component	1058 (1)	839	824	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	1058 (1)	1,682	1,665	–	–
Financial assistance – local roads component	1058 (1)	891	855	–	–
<b>Total general purpose</b>		<b>5,000</b>	<b>4,950</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Water supplies	1058 (2)	–	25	25	–
Bushfire and emergency services	1058 (1)	313	413	–	198
Community centres	1058 (2)	–	–	–	–
Economic development	1058 (1)	150	125	–	–
Employment and training programs		15	23	–	–
Environmental programs		30	–	–	–
Heritage and cultural		22	126	238	925
Library	1058 (1)	62	28	19	7
LIRS subsidy		22	26	–	–
Noxious weeds	15 (1)	428	884	–	–
Recreation and culture	1058 (1)	10	–	162	–
Street lighting		–	33	–	–
Transport (roads to recovery)	1058 (1)	1,567	1,693	–	–
Transport (other roads and bridges funding)		158	817	2,865	7,926
Community development	1058 (1)	103	35	–	–
Public conveniences	1058 (2)	–	–	514	–
Critical drought Initiative	1058 (1&2)	1,332	–	2,248	–
Town planning		–	56	2	53
Saleyards		–	–	–	191
Waste Management	1058 (1)	–	–	53	18
Disaster recovery	1058 (1)	3,199	–	–	–
<b>Total specific purpose</b>		<b>7,411</b>	<b>4,284</b>	<b>6,126</b>	<b>9,318</b>
<b>Total grants</b>		<b>12,411</b>	<b>9,234</b>	<b>6,126</b>	<b>9,318</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		8,552	6,643	762	–
– State funding		3,859	2,591	5,364	9,318
		<b>12,411</b>	<b>9,234</b>	<b>6,126</b>	<b>9,318</b>

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	153	79
S 64 – water supply contributions		1058 (1)	–	–	27	20
S 64 – sewerage service contributions		1058 (1)	–	–	33	22
S 64 - water supply contributions			–	–	–	–
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>213</b>	<b>121</b>
<b>Total developer contributions</b>	26		<b>–</b>	<b>–</b>	<b>213</b>	<b>121</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Other councils – joint works/services		15 (2)	145	94	–	–
Roads and bridges		1058 (2)	–	–	–	–
RMS contributions (regional roads, block grant)		1058 (1)	1,594	1,574	–	–
Tourism			6	–	–	–
FBT contributions			50	50	–	–
Solid waste management			–	4	–	–
Waste management Services		15 (1)	125	–	–	–
<b>Total other contributions – cash</b>			<b>1,920</b>	<b>1,722</b>	<b>–</b>	<b>–</b>
<b>Total other contributions</b>			<b>1,920</b>	<b>1,722</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>			<b>1,920</b>	<b>1,722</b>	<b>213</b>	<b>121</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>14,331</b>	<b>10,956</b>	<b>6,339</b>	<b>9,439</b>

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. 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.



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3. Revenue from continuing operations (continued)

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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.

#### **Grants and contributions income under AASB 1058**

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

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

#### **Capital grants and contributions**

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

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

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

#### **Contributions**

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

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

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

#### **Accounting policy prior to 1 July 2019**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
<b>(f) Unspent grants and contributions – external restrictions</b>		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
<b>Grants</b>		
Unexpended at the close of the previous reporting period	2,833	2,151
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	1,702	2,073
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	(13)	(1,391)
<b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income	(950)	–
<b>Unexpended and held as restricted assets</b>	<b>3,572</b>	<b>2,833</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	89	–
<b>Add:</b> contributions recognised as income in the current period but not yet spent	–	89
<b>Less:</b> contributions recognised in a previous reporting period now spent	(89)	–
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>–</b>	<b>89</b>

## Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	145	61
– Cash and investments	182	348
<b>Total Interest and investment income</b>	<b>327</b>	<b>409</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	–	61
General Council cash and investments	327	335
<b>Restricted investments/funds – external:</b>		
Water fund operations	–	11
Sewerage fund operations	–	2
<b>Total interest and investment revenue</b>	<b>327</b>	<b>409</b>

**Accounting policy for interest and investment revenue**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations

\$ '000	2020	2019 <sup>1</sup>
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	7,571	6,810
Employee leave entitlements (ELE)	1,397	1,302
Superannuation	907	771
Workers' compensation insurance	135	138
Fringe benefit tax (FBT)	30	14
Other	31	97
<b>Total employee costs</b>	<b>10,071</b>	<b>9,132</b>
Less: capitalised costs	(1,320)	(1,091)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>8,751</b>	<b>8,041</b>

**Accounting policy for employee benefits and on-costs**

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

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

(1) Travel, recruitment of senior staff and training expenses were transferred to Note 5(e)

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on leases		6	–
Interest on loans		436	398
<b>Total interest bearing liability costs</b>		<b>442</b>	<b>398</b>
<b>Total interest bearing liability costs expensed</b>		<b>442</b>	<b>398</b>
<b>(ii) Other borrowing costs</b>			
– Remediation liabilities	15	40	64
<b>Total other borrowing costs</b>		<b>40</b>	<b>64</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>482</b>	<b>462</b>

**Accounting policy for borrowing costs**

Borrowing costs are expensed.

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	2,508	2,849
Contractor and consultancy costs	5,880	3,424
Auditors remuneration	52	48
– Legal expenses: other	106	26
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments	–	19
Other	9	–
<b>Total materials and contracts</b>	<b>8,555</b>	<b>6,366</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>8,555</b>	<b>6,366</b>

**1. Auditor remuneration**

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

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

Audit and review of financial statements	50	48
<b>Remuneration for audit and other assurance services</b>	<b>50</b>	<b>48</b>

**Total Auditor-General remuneration**

	50	48
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**(i) Other assurance services**

Audit and review of financial statements – auditors other than NSW Auditor-General	2	–
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**Remuneration for other assurance services performed by auditors other than NSW Auditor-General**

	2	–
<b>Total Auditor remuneration</b>	<b>52</b>	<b>48</b>

**Accounting policy for materials and contracts**

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 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
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**Operating leases (2019 only)**

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

**2. Operating lease payments are attributable to:**

Office equipment	–	19
	–	19

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		576	547
Office equipment		40	22
Furniture and fittings		5	6
Land improvements (depreciable)		50	36
<b>Infrastructure:</b>	10		
– Buildings		768	946
– Other structures		121	124
– Roads		3,189	2,378
– Bridges		950	731
– Footpaths		41	41
– Stormwater drainage		100	109
– Water supply network		711	607
– Sewerage network		479	469
– Swimming pools		21	21
– Other open space/recreational assets		110	108
<b>Right of use assets</b>	13	–	–
<b>Other assets:</b>			
– Library books		27	29
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	15,10	391	526
– Quarry assets	15,10	17	22
Intangible assets	11	62	45
<b>Total gross depreciation and amortisation costs</b>		<u>7,658</u>	<u>6,767</u>
Less: capitalised costs		(184)	(143)
<b>Total depreciation and amortisation costs</b>		<u>7,474</u>	<u>6,624</u>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<u>7,474</u>	<u>6,624</u>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 11 for intangible 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.

\$ '000	2020	2019 <sup>1</sup>
<b>(e) Other expenses</b>		
Advertising	74	71
Training costs (other than salaries and wages)	167	184
Travel expenses	18	17
Recruitment of senior staff	–	2
Cleaning	53	–
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	302	290
Councillor expenses – mayoral fee	27	26
Councillor expenses – councillors' fees	122	119
Councillors' expenses (incl. mayor) – other (excluding fees above)	31	70
Donations, contributions and assistance to other organisations (Section 356)	50	41
Electricity and heating	274	272
Insurance	452	418
Postage	44	–
Printing and stationery	21	–
Street lighting	125	159
Subscriptions and publications	209	–
Telephone and communications	233	132
Other	120	32
<b>Total other expenses</b>	<b>2,322</b>	<b>1,833</b>
<b>TOTAL OTHER EXPENSES</b>	<b>2,322</b>	<b>1,833</b>

**Accounting policy for other expenses**

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

(1) Travel, training and recruitment of senior staff expenses were reclassified from employee benefit expenses.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
<b>Property (excl. investment property)</b>			
Less: carrying amount of property assets sold/written off		(309)	–
<b>Net gain/(loss) on disposal</b>		<b>(309)</b>	<b>–</b>
<b>Plant and equipment</b>			
	10		
Proceeds from disposal – plant and equipment		2,231	2,311
Less: carrying amount of plant and equipment assets sold/written off		(2,481)	(2,481)
<b>Net gain/(loss) on disposal</b>		<b>(250)</b>	<b>(170)</b>
<b>Infrastructure</b>			
	10		
Less: carrying amount of infrastructure assets sold/written off		(60)	(223)
<b>Net gain/(loss) on disposal</b>		<b>(60)</b>	<b>(223)</b>
<b>Real estate assets held for sale</b>			
	9		
Proceeds from disposal – real estate assets		37	–
Less: carrying amount of real estate assets sold/written off		(43)	–
<b>Net gain/(loss) on disposal</b>		<b>(6)</b>	<b>–</b>
<b>Investment properties</b>			
Proceeds from disposal – investment property		–	813
Less: carrying amount of investment property sold/written off		–	(300)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>513</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(625)</b>	<b>120</b>

**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.

*Non-infrastructure assets*

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.

*Infrastructure assets*

It is not common for infrastructure assets to be sold. De-recognition of carrying value of infrastructure assets usually occurs in cases of replacement or when they are no longer serviceable. Physical replacement of infrastructure assets result in loss from disposal of replaced assets through profit and loss account. Renewal works which represent reversal of consumed service potential add up to the carrying value of the asset.

## Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	6,380	7,936
Cash-equivalent assets		
– Deposits at call	8,373	9,333
Trust account	313	313
<b>Total cash and cash equivalents</b>	<b>15,066</b>	<b>17,582</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7(a). Cash and cash equivalents (continued)

**Accounting policy for cash and cash equivalents**

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

## Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
b. 'Financial assets at amortised cost'	–	–	1,000	–
<u>Total Investments</u>	<u>–</u>	<u>–</u>	<u>1,000</u>	<u>–</u>
<b><u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u></b>	<u>15,066</u>	<u>–</u>	<u>18,582</u>	<u>–</u>
<b>Financial assets at amortised cost</b>				
Deposits at call more than 3 months maturity	–	–	1,000	–
<b>Total</b>	<u>–</u>	<u>–</u>	<u>1,000</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.

As at 30 June 2020 council did not have any investments at FVTPL or FVOCI-equity recognised.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment. Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	15,066	–	18,582	–
<b>attributable to:</b>				
External restrictions	12,069	–	9,918	–
Internal restrictions	2,924	–	8,170	–
Unrestricted	73	–	494	–
	15,066	–	18,582	–

\$ '000	2020	2019
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended grants – general fund (2020 only)	921	–
NWPS advance	–	181
Unspent LIRS Loan Funds	19	92
<b>External restrictions – included in liabilities</b>	<b>940</b>	<b>273</b>

**External restrictions – other**

Developer contributions – general	–	89
Specific purpose unexpended grants (recognised as revenue) – general fund	2,575	2,833
Water supplies	1,030	2,191
Sewerage services	3,528	2,788
Domestic waste management	2,949	501
Stormwater management	990	549
Bruxner Way widening (RMS)	57	694
<b>External restrictions – other</b>	<b>11,129</b>	<b>9,645</b>

**Total external restrictions**

	<b>12,069</b>	<b>9,918</b>
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**Internal restrictions**

Plant and vehicle replacement	2,333	2,946
Employees leave entitlement	461	594
Capital commitments	–	861
Grant funding for general purposes	–	200
Gravel quarry rehabilitation	–	233
International town partnerships	10	10
Roads and bridges	–	550
Special projects	120	1,606
Operating Commitments	–	221
Carry forward projects from 2018/19	–	882
Historical Reserves	–	67
<b>Total internal restrictions</b>	<b>2,924</b>	<b>8,170</b>

**TOTAL RESTRICTIONS**

	<b>14,993</b>	<b>18,088</b>
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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	671	–	658	–
Interest and extra charges	179	–	120	–
User charges and fees	446	–	630	–
Private works	455	–	633	–
Accrued revenues				
– Interest on investments	1	–	69	–
Accrued grants income	–	–	2,183	–
Government grants and subsidies	–	–	18	–
Net GST receivable	401	–	384	–
Contribution to operating costs	–	–	103	–
Other debtors	39	–	16	–
<b>Total</b>	<b>2,192</b>	<b>–</b>	<b>4,814</b>	<b>–</b>
<b>Less: provision of impairment</b>				
Other debtors	(55)	–	(55)	–
<b>Total provision for impairment – receivables</b>	<b>(55)</b>	<b>–</b>	<b>(55)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>2,137</u></b>	<b><u>–</u></b>	<b><u>4,759</u></b>	<b><u>–</u></b>

#### Externally restricted receivables

##### Water supply

– Specific purpose grants	–	–	1	–
– Rates and availability charges	89	–	69	–
– Other	438	–	656	–

##### Sewerage services

– Specific purpose grants	–	–	1	–
– Rates and availability charges	170	–	140	–
– Other	71	–	82	–

<b>Domestic waste management</b>	259	–	224	–
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<b>Stormwater management</b>	7	–	6	–
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<b>Total external restrictions</b>	<b>1,034</b>	<b>–</b>	<b>1,179</b>	<b>–</b>
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<b>Unrestricted receivables</b>	<b>1,103</b>	<b>–</b>	<b>3,580</b>	<b>–</b>
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<b>TOTAL NET RECEIVABLES</b>	<b>2,137</b>	<b>–</b>	<b>4,759</b>	<b>–</b>
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\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	55	55
<b>Balance at the end of the year</b>	<b>55</b>	<b>55</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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#### 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 60 days past due has seen a significant increase in credit risk.

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

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

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

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.

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	352	–	395	–
Stores and materials	258	–	352	–
<b>Total inventories at cost</b>	<b>610</b>	<b>–</b>	<b>747</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>610</b>	<b>–</b>	<b>747</b>	<b>–</b>

#### (i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Details for real estate development</b>					
Residential		352	–	395	–
<b>Total real estate for resale</b>		<b>352</b>	<b>–</b>	<b>395</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		352	–	395	–
<b>Total costs</b>		<b>352</b>	<b>–</b>	<b>395</b>	<b>–</b>
<b>Total real estate for resale</b>		<b>352</b>	<b>–</b>	<b>395</b>	<b>–</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		395	–	395	–
– WDV of sales (expense)	6	(43)	–	–	–
<b>Total real estate for resale</b>		<b>352</b>	<b>–</b>	<b>395</b>	<b>–</b>

#### (b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

\$ '000	2020	2019
Real estate for resale	300	300
	<b>300</b>	<b>300</b>

#### 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 9. Inventories and other assets (continued)

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#### **Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 10. Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements/impairment to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	416	–	416	4,515	2,248	–	–	(2)	–	–	–	7,177	–	7,177
Plant and equipment	13,171	(6,135)	7,036	3,613	506	(2,481)	(576)	–	–	–	–	14,747	(6,649)	8,098
Office equipment	622	(304)	318	–	50	–	(40)	–	–	–	–	671	(344)	327
Furniture and fittings	148	(128)	20	–	8	–	(5)	–	–	–	–	155	(133)	22
<b>Land:</b>														
– Crown land - managed by council	1,202	–	1,202	–	–	–	–	–	–	–	–	1,202	–	1,202
– Crown land - devolved to council	2,504	–	2,504	–	–	–	–	–	–	–	–	2,504	–	2,504
– Operational land	3,441	–	3,441	–	–	–	–	–	–	–	–	3,441	–	3,441
– Community land	1,414	–	1,414	–	–	–	–	–	–	–	–	1,414	–	1,414
– Land under roads (post 30/6/08)	10	–	10	–	–	–	–	–	–	–	–	10	–	10
Land improvements – depreciable	1,371	(342)	1,029	–	376	–	(50)	–	–	–	–	1,746	(391)	1,355
<b>Infrastructure:</b>														
– Buildings	37,953	(20,786)	17,167	260	688	(309)	(768)	–	–	(3,625)	–	30,643	(17,230)	13,413
– Other structures	3,397	(1,203)	2,194	–	245	–	(121)	–	–	–	–	3,642	(1,324)	2,318
– Roads	260,413	(47,502)	212,911	1,480	2,392	(60)	(3,189)	–	255	(1,352)	–	263,213	(50,777)	212,436
– Bridges	89,813	(41,757)	48,056	–	–	–	(950)	–	(255)	(88)	–	89,157	(42,394)	46,763
– Footpaths	3,276	(833)	2,443	–	75	–	(41)	–	–	–	–	3,350	(873)	2,477
– Bulk earthworks (non-depreciable)	91,380	–	91,380	–	602	–	–	–	–	(101)	–	91,880	–	91,880
– Stormwater drainage	8,355	(4,458)	3,897	–	–	–	(100)	–	–	–	–	8,354	(4,558)	3,796
– Water supply network	57,471	(33,472)	23,999	–	83	–	(711)	–	–	–	221	58,100	(34,507)	23,593
– Sewerage network	33,210	(11,344)	21,866	367	12	–	(479)	–	–	–	204	33,905	(11,934)	21,971
– Swimming pools	1,164	(277)	887	–	41	–	(21)	–	–	–	–	1,205	(298)	907
– Other open space/recreational assets	2,191	(558)	1,633	–	157	–	(110)	2	–	–	–	2,350	(668)	1,682
<b>Other assets:</b>														
– Library books	930	(789)	141	–	16	–	(27)	–	–	–	–	947	(816)	131
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>														
– Tip assets	3,178	(1,275)	1,903	–	–	–	(391)	–	(313)	–	–	2,865	(1,667)	1,198
– Quarry assets	125	(22)	103	–	–	–	(17)	–	(37)	–	–	88	(39)	49
<b>Total Infrastructure, property, plant and equipment</b>	<b>617,155</b>	<b>(171,185)</b>	<b>445,970</b>	<b>10,235</b>	<b>7,499</b>	<b>(2,850)</b>	<b>(7,596)</b>	<b>–</b>	<b>(350)</b>	<b>(5,166)</b>	<b>425</b>	<b>622,766</b>	<b>(174,602)</b>	<b>448,164</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period									as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements (Found Assets at FV through Equity)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>															
Capital work in progress	7,980	–	7,980	–	407	–	–	(7,971)	–	–	–	–	416	–	416
Plant and equipment	12,519	(5,904)	6,615	3,343	108	(2,481)	(547)	–	–	–	–	–	13,171	(6,135)	7,036
Office equipment	446	(282)	164	–	175	–	(22)	–	–	–	–	–	622	(304)	318
Furniture and fittings	145	(122)	23	–	3	–	(6)	–	–	–	–	–	148	(128)	20
<b>Land:</b>															
– Operational land	3,495	–	3,495	–	–	–	–	–	(54)	–	–	–	3,441	–	3,441
– Community land	1,414	–	1,414	–	–	–	–	–	–	–	–	–	1,414	–	1,414
– Crown land - managed by council	1,088	–	1,088	–	–	–	–	–	54	–	–	60	1,202	–	1,202
– Crown land - devolved to council	2,504	–	2,504	–	–	–	–	–	–	–	–	–	2,504	–	2,504
– Land under roads (post 30/6/08)	10	–	10	–	–	–	–	–	–	–	–	–	10	–	10
Land improvements – depreciable	1,089	(306)	783	–	282	–	(36)	–	–	–	–	–	1,371	(342)	1,029
<b>Infrastructure:</b>															
– Buildings	37,687	(19,962)	17,725	178	246	(36)	(946)	–	–	–	–	–	37,953	(20,786)	17,167
– Other structures	3,339	(1,079)	2,260	–	58	–	(124)	–	–	–	–	–	3,397	(1,203)	2,194
– Roads	164,558	(46,472)	118,086	10,997	204	–	(2,378)	–	(221)	–	(508)	86,732	260,413	(47,502)	212,911
– Bridges	71,323	(29,781)	41,542	1,247	617	(144)	(731)	–	221	–	–	5,305	89,813	(41,757)	48,056
– Footpaths	3,311	(1,253)	2,058	–	49	–	(41)	–	–	–	–	379	3,276	(833)	2,443
– Bulk earthworks (non-depreciable)	131,495	–	131,495	–	–	–	–	–	–	–	(40,114)	–	91,380	–	91,380
– Stormwater drainage	9,114	(4,724)	4,390	–	–	–	(109)	–	–	–	(384)	–	8,355	(4,458)	3,897
– Water supply network	46,542	(32,339)	14,203	245	1,996	(25)	(607)	7,971	–	–	–	217	57,471	(33,472)	23,999
– Sewerage network	32,507	(10,770)	21,737	298	106	–	(469)	–	–	–	(144)	338	33,210	(11,344)	21,866
– Swimming pools	1,164	(257)	907	–	–	–	(21)	–	–	–	–	–	1,164	(277)	887
– Other open space/recreational assets	2,086	(463)	1,623	126	9	(18)	(108)	–	–	–	–	–	2,191	(558)	1,633
<b>Other assets:</b>															
– Library books	913	(760)	153	–	17	–	(29)	–	–	–	–	–	930	(789)	141
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>															
– Tip assets	2,830	(750)	2,080	–	–	–	(526)	–	348	–	–	–	3,178	(1,275)	1,903
– Quarry assets	104	–	104	–	–	–	(22)	–	21	–	–	–	125	(22)	103
<b>Total Infrastructure, property, plant and equipment</b>	<b>537,663</b>	<b>(155,224)</b>	<b>382,439</b>	<b>16,434</b>	<b>4,277</b>	<b>(2,704)</b>	<b>(6,722)</b>	<b>–</b>	<b>369</b>	<b>–</b>	<b>(41,150)</b>	<b>93,031</b>	<b>617,155</b>	<b>(171,185)</b>	<b>445,970</b>

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

**Accounting policy for infrastructure, property, plant and equipment**

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

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

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

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

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

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

<b>Plant and equipment</b>	Years	<b>Water and sewer assets</b>	Years
Office equipment	10	Water - Mains	80 to 90
Office furniture	10 to 20	Water - Pumping Stations	30 to 80
Computer equipment	4	Water Dam	100
Plants - Light vehicles	1	Water - Reservoirs	40 to 80
Plants - Heavy plant/road making equipment	10	Water - Treatment Works	30 to 80
Other plant and equipment	10	Sewerage - Ancilliary	30 to 50
		Sewerage - Pumping Stations	30
		Sewerage - Treatment Works	30 to 70
		Sewerage - Mains	80 to 90
<b>Transportation assets</b>		<b>Stormwater assets</b>	
Sealed roads: surface	30	Drains	80
Sealed roads: pavement base	50		
Sealed roads: pavement sub-base	Infinite		
Unsealed roads surface:			
- depreciable component	25		
- non-depreciable component	Infinite	<b>Buildings</b>	
Bulk earthworks	Infinite	Buildings	15 to 75
Bridge: concrete	100		
Bridge: timber	80	<b>Other infrastructure assets</b>	
Kerb, gutter and footpaths	80	Swimming pools	50
		Other open space/ recreational assets	10 to 100

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. As at 30 June 2020 only vehicle assets had residual values.

Depreciation starts in the year following the year of acquisition of an asset.

**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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### **Crown reserves**

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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".

Council did not recognise Rural Fire Services Assets, including buildings, plant and equipment, due to lack of evidence of control over the economic benefits which are expected to flow from these assets.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	550	413
Accumulated amortisation	(173)	(128)
<b>Net book value – opening balance</b>	<b>377</b>	<b>285</b>
<b>Movements for the year</b>		
– Other movements	–	1
– Purchases	414	136
– Amortisation charges	(62)	(45)
<b>Closing values at 30 June</b>		
Gross book value	964	550
Accumulated amortisation	(235)	(173)
<b>Total software – net book value</b>	<b>729</b>	<b>377</b>
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<b>729</b>	<b>377</b>

**Accounting policy for intangible assets****IT development and software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from five to ten years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
<b>(a) Contract assets</b>		
Contract Asset (AASB 15)	145	–
Grant Contract Asset (AASB 1058 - asset exemption)	2,978	–
Accrued Income (AASB 1058)	2,255	–
<b>Total Contract assets</b>	<b>5,378</b>	<b>–</b>

\$ '000	Notes	2020 Current	2020 Non-current
<b>(b) Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	534	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	387	–
<b>Total grants received in advance</b>		<b>921</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>921</b>	<b>–</b>

**Notes**

(i) Council has received funding to construct assets to be controlled by the council under Stronger Country Communities Funding and Drought Stimulus Package grant agreements. The funds received are under enforceable contracts which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

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

\$ '000	2020
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	950
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>950</b>

**Significant changes in contract assets and liabilities**

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

**Accounting policy for contract assets and liabilities**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 12. Contract assets and liabilities (continued)

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. 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

Information relating to the leases in place and associated balances and transactions is provided below.

**Office and IT equipment**

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

\$ '000	Office and IT equipment	Total
<b>(a) Right of use assets</b>		
Opening balance at 30 June 2019	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	141	141
Adjustments to right-of-use assets due to re-measurement of lease liability	37	37
<b><u>RIGHT OF USE ASSETS</u></b>	<b><u>178</u></b>	<b><u>178</u></b>

\$ '000	2020 Current	2020 Non-current
<b>(b) Lease liabilities</b>		
Lease liabilities	50	81
<b><u>TOTAL LEASE LIABILITIES</u></b>	<b><u>50</u></b>	<b><u>81</u></b>

## (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	55	84	–	139	131

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases (continued)

\$ '000	2020
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**(c) Income Statement**

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

Interest on lease liabilities	6
Variable lease payments based on usage not included in the measurement of lease liabilities	24
Expenses relating to low-value leases	1
	31

**Leases at significantly below market value – concessionary / peppercorn leases**

Council has a lease at significantly below market for land and building which is used for School of Arts.

The lease is for 80 years and requires payments of a maximum amount of \$1 per year. The use of the right-to-use asset is restricted by the lessor to specified community services which Council must provide, these services are detailed in the lease. Council does not believe that this lease is 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 (below \$10,000). Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

**Leases at significantly below market value / concessionary leases**

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

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

Refer to Note 5c.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases (continued)

## (ii) Council as a lessor

## (d) Operating leases

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets in the Statement of Financial Position.

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

\$ '000	2020	2019
<b>(i) Operating lease income</b>		
<b>Investment properties</b>		
Lease income (excluding variable lease payments not dependent on an index or rate)	–	17
<b>Other lease income</b>		
Council owned property	140	111
<b>Total income relating to operating leases</b>	<b>140</b>	<b>128</b>

## (iv) Maturity analysis of contractual lease income

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	140	–
1–2 years	140	–
2–3 years	140	–
3–4 years	140	–
4–5 years	140	–
> 5 years	140	–
<b>Total undiscounted contractual lease income receivable</b>	<b>840</b>	<b>–</b>

## 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 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services	2,227	–	1,524	–
Goods and services – capital expenditure accruals	646	–	–	–
Accrued expenses:				
– Borrowings	47	–	49	–
– Salaries and wages	91	–	322	–
Advances	7	–	189	–
Security bonds, deposits and retentions	106	–	119	–
Other	40	–	40	–
Trust account <sup>2</sup>	313	–	313	–
<b>Total payables</b>	<b>3,477</b>	<b>–</b>	<b>2,556</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	707	9,603	822	9,233
<b>Total borrowings</b>	<b>707</b>	<b>9,603</b>	<b>822</b>	<b>9,233</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>4,184</u></b>	<b><u>9,603</u></b>	<b><u>3,378</u></b>	<b><u>9,233</u></b>

(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.

(2) Trust account balances were grossed up in 2020 and 2019

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Water	448	6,111	419	6,351
Sewer	115	1,763	109	1,849
Domestic waste management	159	233	544	–
Other	1,798	–	–	–
Payables and borrowings relating to externally restricted assets	2,520	8,107	1,072	8,200
<b>Total payables and borrowings relating to restricted assets</b>	<b>2,520</b>	<b>8,107</b>	<b>1,072</b>	<b>8,200</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>1,664</b>	<b>1,496</b>	<b>2,306</b>	<b>1,033</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>4,184</u></b>	<b><u>9,603</u></b>	<b><u>3,378</u></b>	<b><u>9,233</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings (continued)

**(b) Changes in liabilities arising from financing activities**

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	10,055	255	–	–	–	–	10,310
Lease liabilities	–	–	–	–	–	131	131
<b>TOTAL</b>	<b>10,055</b>	<b>255</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>131</b>	<b>10,441</b>

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	7,597	2,458	–	–	–	10,055
<b>TOTAL</b>	<b>7,597</b>	<b>2,458</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10,055</b>

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

Credit cards/purchase cards	50	50
<b>Total financing arrangements</b>	<b>50</b>	<b>50</b>

**Undrawn facilities as at balance date:**

– Credit cards/purchase cards	30	20
<b>Total undrawn financing arrangements</b>	<b>30</b>	<b>20</b>

**Accounting policy for payables and borrowings**

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

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

**Payables**

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

**Borrowings**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings (continued)

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 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	750	–	656	–
Long service leave	1,094	–	1,056	–
<b>Sub-total – aggregate employee benefits</b>	<b>1,844</b>	<b>–</b>	<b>1,712</b>	<b>–</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	868	2,292	124	3,421
<b>Sub-total – asset remediation/restoration</b>	<b>868</b>	<b>2,292</b>	<b>124</b>	<b>3,421</b>
<b>Other provisions</b>				
Workers compensation	29	–	31	–
<b>Sub-total – other provisions</b>	<b>29</b>	<b>–</b>	<b>31</b>	<b>–</b>
<b>TOTAL PROVISIONS</b>	<b>2,741</b>	<b>2,292</b>	<b>1,867</b>	<b>3,421</b>

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

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

Provisions – employees benefits	1,217	944
	<u>1,217</u>	<u>944</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Provisions (continued)

**(b) Description of and movements in provisions**

\$ '000	Other provisions		Total
	Asset remediation	Workers compensation	
<b>2020</b>			
At beginning of year	3,545	31	3,576
Amounts used (payments)	(23)	(2)	(25)
Remeasurement effects	(402)	–	(402)
Unwinding of discount	40	–	40
Total other provisions at end of year	3,160	29	3,189
<b>2019</b>			
At beginning of year	3,113	–	3,113
Revised cost, life and discount rate	368	–	368
Additional provisions	–	31	31
Unwinding of discount	64	–	64
Total other provisions at end of year	3,545	31	3,576

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

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

**Accounting policy for provisions**

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

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

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

**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**

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

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

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

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

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

##### **Restoration**

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

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

##### **Rehabilitation**

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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#### (a) Nature and purpose of reserves

##### **Infrastructure, property, plant and equipment revaluation reserve**

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

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

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

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

#### (ii) AASB 15 and AASB 1058

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

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

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

AASB 15 and AASB 1058 (asset exemption) have specific criteria regarding whether control is transferred over time or at a point in time. The 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.

##### **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.

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****Changes in presentation**

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

- Accrued income is now presented as contract asset if the asset recognition criteria is met;
- Prepaid fees are now presented as contract liabilities.

<b>\$ '000</b>	<b>Balance at 1 July 2019</b>
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract assets</b>	
– Under AASB 15	–
– Under AASB 1058	2,183
<b>Total Contract assets</b>	<b>2,183</b>
<b>Contract liabilities <sup>1</sup></b>	
– Under AASB 15	–
– Under AASB 1058	1,437
<b>Total Contract liabilities</b>	<b>1,437</b>

(1) Contract liability as at 1 July 2019 was recognised through accumulated surplus as adjustment on transition

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. 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 under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards
<b>Current assets</b>				
Cash and cash equivalents	15,066	–	–	15,066
Receivables <sup>1</sup>	2,137	5,378	–	7,515
Inventories	610	–	–	610
Contract assets <sup>1</sup>	5,378	(5,378)	–	–
<b>Total current assets</b>	<b>23,191</b>	<b>–</b>	<b>–</b>	<b>23,191</b>
<b>Current liabilities</b>				
Payables	3,477	–	–	3,477
Contract liabilities <sup>2</sup>	921	–	(921)	–
Lease liabilities	50	–	–	50
Borrowings	707	–	–	707
Provisions	2,741	–	–	2,741
<b>Total current liabilities</b>	<b>7,896</b>	<b>–</b>	<b>(921)</b>	<b>6,975</b>
<b>Non-current assets</b>				
Infrastructure, property, plant and equipment	448,164	–	–	448,164
Intangible assets	729	–	–	729
Right of use assets	178	–	–	178
<b>Total non-current assets</b>	<b>449,071</b>	<b>–</b>	<b>–</b>	<b>449,071</b>
<b>Non-current liabilities</b>				
Lease liabilities	81	–	–	81
Borrowings	9,603	–	–	9,603
Provisions	2,292	–	–	2,292
<b>Total Non-current liabilities</b>	<b>11,976</b>	<b>–</b>	<b>–</b>	<b>11,976</b>
<b>Net assets</b>	<b>452,390</b>	<b>–</b>	<b>921</b>	<b>453,311</b>
<b>Equity</b>				
Accumulated surplus <sup>2</sup>	153,884	–	921	154,805
Revaluation reserves	298,506	–	–	298,506
<b>Council equity interest</b>	<b>452,390</b>	<b>–</b>	<b>921</b>	<b>453,311</b>
<b>Total equity</b>	<b>452,390</b>	<b>–</b>	<b>921</b>	<b>453,311</b>

(1) Under previous framework council would have presented accrued income in the receivables note. Now it is presented as contract assets.

(2) Under previous framework council would have recognised income in full. Under the new framework, specific and enforceable grants with unsatisfied performance obligations are recognised as contract liability.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

## Income Statement

\$ '000	Income Statement under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement under previous revenue standards
<u>Income from continuing operations</u>				
Rates and annual charges	10,334	–	–	10,334
User charges and fees	2,447	–	–	2,447
Other revenues	323	–	–	323
Grants and contributions provided for operating purposes <sup>1</sup>	14,331	–	(390)	13,941
Grants and contributions provided for capital purposes <sup>1</sup>	6,339	–	(126)	6,213
Interest and investment income	327	–	–	327
Rental income	140	–	–	140
<b>Total Income from continuing operations</b>	<b>34,241</b>	<b>–</b>	<b>(516)</b>	<b>33,725</b>
<u>Expenses from continuing operations</u>				
Employee benefits and on-costs	8,751	–	–	8,751
Borrowing costs	482	–	–	482
Materials and contracts	8,555	–	–	8,555
Depreciation and amortisation	7,474	–	–	7,474
Other expenses	2,322	–	–	2,322
Net losses from the disposal of assets	625	–	–	625
<b>Total Expenses from continuing operations</b>	<b>28,209</b>	<b>–</b>	<b>–</b>	<b>28,209</b>
<b>Total Operating result from continuing operations</b>	<b>6,032</b>	<b>–</b>	<b>(516)</b>	<b>5,516</b>
<b>Net operating result for the year</b>	<b>6,032</b>	<b>–</b>	<b>(516)</b>	<b>5,516</b>
<b>Total comprehensive income</b>	<b>1,291</b>	<b>–</b>	<b>(516)</b>	<b>775</b>

(1) Under previous framework council would have recognised income in full. Under the new framework, specific and enforceable grants with unsatisfied performance obligations are recognised as contract liability.

## 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	–	2,183	2,183
Receivables - Accrued Income	2,183	(2,183)	–
<b>Total assets</b>	<b>470,122</b>	<b>–</b>	<b>470,122</b>
Contract liabilities	–	1,437	1,437
<b>Total liabilities</b>	<b>17,586</b>	<b>1,437</b>	<b>19,023</b>
Accumulated surplus	149,289	(1,437)	147,852
<b>Total equity</b>	<b>452,536</b>	<b>(1,437)</b>	<b>451,099</b>

continued on next page ...

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## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****(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 \$140,514 at 1 July 2019 for leases previously classified as operating leases.

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

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	<b>74</b>
 <b>Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases</b>	
<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	<b>59</b>
<b>Add:</b>	
In-substance fixed payments not accounted for as operating lease commitments last year	82
<b>Lease liabilities recognised at 1 July 2019</b>	<b>141</b>

**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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

## Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	141	141
<b>Total assets</b>	<b>470,122</b>	<b>141</b>	<b>470,263</b>
Payables – accrued interest on leases (30/6/2019)	–	–	–
Leases	–	141	141
<b>Total liabilities</b>	<b>17,586</b>	<b>141</b>	<b>17,727</b>
Accumulated surplus	–	–	–
<b>Total equity</b>	<b>452,536</b>	<b>–</b>	<b>452,536</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	15,066	17,582
<b>Balance as per the Statement of Cash Flows</b>		<b>15,066</b>	<b>17,582</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		6,032	10,270
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		7,474	6,624
Net losses/(gains) on disposal of assets		625	(120)
Adoption of AASB 15/1058		(1,437)	–
Unwinding of discount rates on reinstatement provisions		40	64
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		2,622	(718)
Decrease/(increase) in inventories		94	(100)
Decrease/(increase) in accrued grants income		–	(1,692)
Decrease/(increase) in contract assets		(5,378)	–
Increase/(decrease) in payables		703	188
Increase/(decrease) in accrued interest payable		(2)	2
Increase/(decrease) in other accrued expenses payable		(231)	78
Increase/(decrease) in other liabilities		(195)	50
Increase/(decrease) in contract liabilities		921	–
Increase/(decrease) in provision for employee benefits		132	30
Increase/(decrease) in other provisions		(427)	399
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>10,973</b>	<b>15,075</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 18. Interests in other entities

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#### Subsidiaries, joint arrangements and associates not recognised

##### New England Joint Organisation (NEJO)

The NEJO was established on 11 May 2018 and 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 principle purpose of the NEJO 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.

NEJO comprises of seven voting member councils: Armidale Regional Council, Glen Innes Severn Council, Inverell Shire Council, Moree Plains Shire Council, Narrabri Shire Council, Tenterfield Shire Council and Uralla Shire Council.

The Board of NEJO consists of:

- The Mayors of each Member Council, who are entitled to one (1) vote at Meetings;
- A non-voting representative of the NSW Government, who is the Regional Director of the Department of Premier and Cabinet.

The Chairperson is to be elected by the voting representatives of the Board from one (1) of the Mayoral representatives. Chairperson does not have a casting vote.

A decision of the Board is supported by a majority at which a quorum is present is a decision of NEJO.

Tenterfield Shire Council, as a member of the NEJO, has a one seventh voting right in respect to the decisions of the Board. Considering the fact that decision making is based on majority votes, council does not have control, joint control or significant influence over relevant activities of the organisation.

In accordance with the Charter each member of the NEJO contributes annual fees towards the operation of the joint organisation. In 2019/2020 the contribution made by Tenterfield Shire Council was \$5,000. For the period ended 30 June 2020 NEJO's net operating result was \$46,756 (2019: \$272,563).

##### North East Weight of Loads Group (NEWLG)

The North East Weight of Loads Group is a joint venture between Ballina Shire Council, Byron Shire Council, Clarence Valley Council, Kyogle Council, Lismore City Council, Richmond Valley Council, Tenterfield Shire Council and Tweed Shire Council. Council's interest in the group capital is 10% which has no control or significant influence over the group's activity. The principal activity of the North East Weight of Loads Group is the checking and enforcement of load weights carried by heavy vehicles on roads within the above named Council boundaries.

Tenterfield Shire Council's member contribution to the North East Weight of Loads Group was \$28,927 in 2019/20.

For the period ended 30 June 2020 NEWLG's net operating income was \$40,547.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Commitments

\$ '000	2020	2019
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Water Supply	582	33
Plant and equipment	1,821	–
Intangibles	13	23
Sewer Network	21	49
Roads	2,594	177
Parks	2	92
Buildings	1,484	299
Other	201	188
<b>Total commitments</b>	<b>6,718</b>	<b>861</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	6,718	861
<b>Total payable</b>	<b>6,718</b>	<b>861</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	52	–
Future grants and contributions	3,729	313
Externally restricted reserves	74	82
Internally restricted reserves	2,863	466
<b>Total sources of funding</b>	<b>6,718</b>	<b>861</b>

**(b) Non-cancellable operating lease commitments (2019 only)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	–	20
Later than one year and not later than 5 years	–	54
<b>Total non-cancellable operating lease commitments</b>	<b>–</b>	<b>74</b>

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

Refer to Note 15 for information relating to leases for 2020.

Photocopiers at the Shire Office and Library all under 48 month leases terms. Digital Scanner in Shire Office under a 60 month lease term.

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

**Conditions relating to finance and operating leases:**

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

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

**(c) Investment in joint operations – commitments**

For capital commitments and other commitments relating to investments in joint operations, refer to Note 20 (c)

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies

### Note 20. 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*.

Each member 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.

Member employers bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as the fall due.

As the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member employers, the surplus has not been recognised in Council's financial statements.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 30 June 2019, and covers the period ended 30 June 2019.

Based on a Past Service Liabilities methodology the share of the Fund's surplus that can be attributed to the council is 0.22%.

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

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

\* Plus promotional increases

Pooled employers are required to pay standard employer contributions which are 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 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 \$ 144,082,07. Council's expected contribution to the plan for the next annual reporting period is \$140,691.84.

###### (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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies (continued)

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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.

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

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

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

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

### ASSETS NOT RECOGNISED

#### (i) Land under roads

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

#### (ii) Infringement notices/fines

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

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21. Financial risk management

#### Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	15,066	17,582	15,066	17,269
Receivables	2,137	4,759	2,137	4,759
Investments				
– 'Financial assets at amortised cost'	–	1,000	–	1,000
<b>Total financial assets</b>	<b>17,203</b>	<b>23,341</b>	<b>17,203</b>	<b>23,028</b>
<b>Financial liabilities</b>				
Payables	3,477	2,556	3,477	2,243
Loans/advances	10,310	10,055	10,310	10,055
Lease liabilities	131	–	131	–
<b>Total financial liabilities</b>	<b>13,918</b>	<b>12,611</b>	<b>13,918</b>	<b>12,298</b>

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2020</b>				
Possible impact of a 1% movement in interest rates	47	47	(47)	(47)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	103	103	(103)	(103)

## (b) Credit risk

Council's receivables for the purposes of credit risk exposure comprise two categories:

1) Category 1: rates and annual charges (including interests on outstanding rates); statutory entitlements (GST receivable); government grants and subsidies; accrued grants income; and interest on investments.

2) Category 2: user charges and fees; private works; other debtors.

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.

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 – Category 1

*Rates and annual charges (including interest on overdue rates debtors)*

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; 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 payment.

*Government grants, subsidies, GST receivable*

Credit risk on this type of debtors is negligible due to allocation of the funds to the council for the whole period of fund agreements, absence of evidence of default of the Australian Government in the past, currently and in the future and timely payments made by the government.

*Interest on investments*

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

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.

*Contract Assets*

This class of assets comprises of accrued income under various government grants. Credit risk on this type of accruals is negligible due to allocation of the funds to the council for the whole period of fund agreements, absence of evidence of default of the Australian Government in the past, currently and in the future and timely payments made by the government.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount - Receivables (AASB 9)	402	850	–	–	–	1,252
Contract Assets (AASB 15 and AASB 1058)	5,378	–	–	–	–	5,378
<b>2019</b>						
Gross carrying amount - Receivables (AASB 9)	2,655	777	–	–	–	3,432

**Receivables - Category 2***Fees and charges, Private works and other debtors*

Council applies the simplified approach for Category 2 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, Category 2 debtors have been grouped based on shared credit risk characteristics and the days past due.

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2020</b>						
Gross carrying amount	662	17	42	219	–	940
Expected loss rate (%)	1.00%	10.00%	15.00%	18.00%	0.00%	5.75%
<b>ECL provision</b>	<b>7</b>	<b>2</b>	<b>7</b>	<b>39</b>	<b>–</b>	<b>55</b>
<b>2019</b>						
Gross carrying amount	1,324	23	35	–	–	1,382
Expected loss rate (%)	3.50%	10.00%	15.00%	0.00%	0.00%	3.90%
<b>ECL provision</b>	<b>47</b>	<b>3</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>55</b>

**(c) Liquidity risk**

Payables, lease liability 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities (for lease liability maturity analysis refer to Note 13(b)) and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2020</b>							
Trade/other payables	0.00%	106	3,371	–	–	3,477	3,477
Loans and advances	5.56%	–	1,136	5,411	7,860	14,407	10,310
<b>Total financial liabilities</b>		<b>106</b>	<b>4,507</b>	<b>5,411</b>	<b>7,860</b>	<b>17,884</b>	<b>13,787</b>
<b>2019</b>							
Trade/other payables	0.00%	119	2,124	–	–	2,243	2,556
Loans and advances	5.89%	–	1,184	3,612	9,393	14,189	10,055
<b>Total financial liabilities</b>		<b>119</b>	<b>3,308</b>	<b>3,612</b>	<b>9,393</b>	<b>16,432</b>	<b>12,611</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 29/05/2019 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.

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>REVENUES</b>				
Rates and annual charges	10,765	10,334	(431)	(4)% <b>U</b>
User charges and fees	2,484	2,447	(37)	(1)% <b>U</b>
Other revenues	692	323	(369)	(53)% <b>U</b>
The budget previously included Rental Income which now has been shown separately.				
Operating grants and contributions	8,652	14,331	5,679	66% <b>F</b>
Mainly due to Council being successful in obtaining additional grants for operating purposes, particularly for Bushfire and Storm Damage Works.				
Capital grants and contributions	22,443	6,339	(16,104)	(72)% <b>U</b>
Mainly due to timing variations with regard to Mount Lindesay Road grant funding.				
Interest and investment revenue	390	327	(63)	(16)% <b>U</b>
Mainly due to lower interest rates.				
Rental income	–	140	140	∞ <b>F</b>
This was originally part of the Other Revenue category which is where the original budget was placed. Given the amount of revenue it has been shown separately.				

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>EXPENSES</b>				
Employee benefits and on-costs	7,166	8,751	(1,585)	(22)% U
Mainly due to the full year effect of the filling of long term vacancies and other positions; the filling of positions funded/part funded by other sources of income; additional redundancy and leave payments; and the award pay increase.				
Borrowing costs	494	482	12	2% F
Materials and contracts	5,034	8,555	(3,521)	(70)% U
Mainly due to drought and storm damage related expenditure mainly funded from grants and additional COVID-19 related costs.				
Depreciation and amortisation	7,023	7,474	(451)	(6)% U
Other expenses	1,447	2,322	(875)	(60)% U

Mainly due to higher Emergency Service Levy than was originally budgeted for (offset by some additional income).

Net losses from disposal of assets	265	625	(360)	(136)% U
Mainly due to the loss on disposal of Bolivia Hall which is not a Council owned asset.				

**STATEMENT OF CASH FLOWS**

Cash flows from operating activities	31,283	10,973	(20,310)	(65)% U
Due to the timing of grant payments, reduced water usage fees and additional costs associated with drought and storm damage related expenditure and additional COVID-19 related costs.				
Cash flows from investing activities	(36,313)	(13,697)	22,616	(62)% F
Due to the timing of capital projects and cash flow payments.				
Cash flows from financing activities	3,382	208	(3,174)	(94)% U
Not all loan funded capital works eventuated om 2019/20 and therefore some additional loans were not required.				

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. 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 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	
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/18	–	–	8,098	8,098
Office equipment	30/06/16	–	–	327	327
Furniture and fittings	30/06/16	–	–	22	22
Crown land	30/06/18	–	–	3,706	3,706
Land – operational	30/06/18	–	–	3,441	3,441
Land – community	30/06/16	–	–	1,414	1,414
Land under roads	30/06/14	–	–	10	10
Land improvements – depreciated	30/06/16	–	–	1,355	1,355
Buildings	30/06/18	–	–	13,413	13,413
Other structures	30/06/16	–	–	2,318	2,318
Roads	30/06/19	–	–	212,436	212,436
Bulk earthworks	30/06/19	–	–	46,763	46,763
Footpaths	30/06/19	–	–	2,477	2,477
Bridges	30/06/19	–	–	91,880	91,880
Stormwater assets	30/06/19	–	–	3,797	3,797
Water supply assets	30/06/17	–	–	23,593	23,593
Sewerage network	30/06/17	–	–	21,971	21,971
Swimming pools	30/06/16	–	–	907	907
Open space and recreation	30/06/16	–	–	1,682	1,682
Library books	30/06/16	–	–	131	131
Tip assets	30/06/18	–	–	1,198	1,198
Quarry assets	30/06/18	–	–	49	49
<b>Total infrastructure, property, plant and equipment</b>		–	–	<b>440,988</b>	<b>440,988</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. 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	
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/18	–	–	7,036	7,036
Office equipment	30/06/16	–	–	318	318
Furniture and fittings	30/06/16	–	–	20	20
Crown land	30/06/18	–	–	3,706	3,706
Land – operational	30/06/18	–	–	3,441	3,441
Land – community	30/06/16	–	–	1,414	1,414
Land under roads	30/06/14	–	–	10	10
Land improvements – depreciated	30/06/16	–	–	1,029	1,029
Buildings	30/06/18	–	–	17,167	17,167
Other structures	30/06/16	–	–	2,194	2,194
Roads	30/06/19	–	–	212,911	212,911
Bulk earthworks	30/06/19	–	–	91,380	91,380
Footpaths	30/06/19	–	–	2,443	2,443
Bridges	30/06/19	–	–	48,056	48,056
Stormwater assets	30/06/19	–	–	3,897	3,897
Water supply assets	30/06/17	–	–	23,999	23,999
Sewerage network	30/06/17	–	–	21,866	21,866
Swimming pools	30/06/17	–	–	887	887
Open space and recreation	30/06/16	–	–	1,633	1,633
Library books	30/06/16	–	–	141	141
Tip assets	30/06/18	–	–	1,902	1,902
Quarry assets	30/06/18	–	–	103	103
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>445,553</b>	<b>445,553</b>

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

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

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

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

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

##### Crown Land

All valuations of Crown Land are based upon the land valuations issued by the Value - General. Crown Land was valued using the 1 July 2017 VG valuation data. There has been no change to the valuation process during the reporting period.

##### Community Land

All valuations of Community Land are based upon the land valuations issued by the Value - General. Community Land was valued at as 30 June 2016. There has been no change to the valuation process during the reporting period.

##### Operational Land

The valuation of Operational Land has been based upon relevant sales in the area. In certain locations there was a lack of appropriate comparable sales evidence and in these instances the closest comparable sales and factors relating to the land parcels geographic, land use and zoning were also taken into consideration. The last valuation was undertaken at 30 June 2018 by Scott Fullarton Valuations Pty Ltd. There has been no change to the valuation process during the reporting period.



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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#### **Other Structures, Swimming Pools and Open Space & Recreation Assets**

The valuation process involved current replacement cost approach. Unobservable inputs such as replacement cost, asset condition and useful life required extensive professional judgement. The unobservable inputs place this class of asset at Level 3. The last valuation was undertaken on 30 June 2016 by APV Valuers and Asset Management Pty Ltd. There has been no change to the valuation process during the reporting period.

#### **Plant & Equipment, Office Equipment, Furniture & Fittings and Library Books**

Plant & Equipment, Furniture & Fittings, Library Books and Office Equipment are valued at cost but disclosed at fair value in the Notes of the financial statements. It is assumed that the carrying amount of these asset classes is approximate fair value. Assets include graders, motor vehicles, mowers, chainsaws, computers, tables, chairs, lighting, library books and resources. The key unobservable input is the condition of the assets. There has been no change to the valuation process during the reporting period.

#### **Buildings**

Buildings assets are valued externally. Council engaged Scott Fullarton Valuations Pty Ltd to perform a comprehensive valuation of buildings assets as at 30 June 2018.

Most of the Council's buildings are specialised by nature and were valued utilising the cost approach. The approach estimated the replacement cost of each building and componentising of significant parts of specific buildings with different useful lives and taking into account a range of factors. Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other inputs (such as estimates useful life, asset condition and componentisation) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued utilising Level 3 inputs.

There were no changes in valuation technique from prior year.

#### **Water supply and Sewerage network assets**

Due to specialised nature of the assets all water and sewer network assets were valued using cost approach with the Level 3 input dominating the valuation. As a result, this class of assets is always valued externally with sufficient regularity to ensure carrying amount of the assets is not materially different to fair value. Council engaged independent professional valuer, AssetVal Pty Ltd, to perform a comprehensive revaluation of its water and sewerage supply network assets as at 30 June 2017.

Valuer applied significant judgement in determining following inputs into the valuation process: unit rates, condition assessment and obsolescence, useful life. The valuation technique has not changed from previous year.

#### **Transportation assets**

Transportation assets is a valuation class of asset for the purposes of AASB 13 *Fair Value Measurement* which combines following classes of assets from Note 9: roads, bridges, footpaths, bulk earthworks, stormwater drainage.

This valuation relies on key unobservable inputs such as unit rates, condition ratings, useful life. The key unobservable inputs and no active market place these assets categories at Level 3. The last valuation of replacement cost was undertaken on 30 June 2019 by AssetVal Pty Ltd. Further adjustments were then applied based on the condition of the assets using internal inspection data.

#### **Remediation Assets for Tips and Quarries**

Restoration, cell capping, leachate collection and site closures have been recognised as significant costs for the remediation assets. In particular, the closing of a landfill site will include preparation, final cell capping, site re-vegetation and leachate management. The key unobservable inputs are discount rate, estimated costs, legislative requirements, and timing of remediation and indexation of labour costs. There has been no change to the valuation process during the reporting period.

### **(3) 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 24. Related party disclosures

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#### Key management personnel

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

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

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	973	1,088
Post-employment benefits	65	66
<b>Total</b>	<b>1,038</b>	<b>1,154</b>

### Note 25. Events occurring after the reporting date

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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 26. Statement of developer contributions

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

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

## Summary of contributions and levies

	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year and transfers to unrestricted	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Drainage	2	1	–	–	(3)	–	–	–
Roads	30	123	–	–	(153)	–	–	–
Open space	1	2	–	–	(3)	–	–	–
Community facilities	3	4	–	–	(7)	–	–	–
Other	1	3	–	–	(4)	–	–	–
Emergency services	3	7	–	–	(10)	–	–	–
Waste management	7	13	–	–	(20)	–	–	–
<b>S7.11 contributions – under a plan</b>	<b>47</b>	<b>153</b>	<b>–</b>	<b>–</b>	<b>(200)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>47</b>	<b>153</b>	<b>–</b>	<b>–</b>	<b>(200)</b>	<b>–</b>	<b>–</b>	<b>–</b>
S64 contributions	42	60	–	–	(102)	–	–	–
<b>Total contributions</b>	<b>89</b>	<b>213</b>	<b>–</b>	<b>–</b>	<b>(302)</b>	<b>–</b>	<b>–</b>	<b>–</b>

(1) Council has been able to unrestrict \$651,000 which represent projects completed but for which cash had not been unrestricted

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19			Interest earned in year	Expenditure during year and transfers to unrestricted	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Drainage	2	1	–	–	(3)	–	–	–
Roads	30	123	–	–	(153)	–	–	–
Open space	1	2	–	–	(3)	–	–	–
Community facilities	3	4	–	–	(7)	–	–	–
Emergency services	3	7	–	–	(10)	–	–	–
Waste management	7	13	–	–	(20)	–	–	–
Other	1	3	–	–	(4)	–	–	–
<b>Total</b>	<b>47</b>	<b>153</b>	<b>–</b>	<b>–</b>	<b>(200)</b>	<b>–</b>	<b>–</b>	<b>–</b>

(1) Council has been able to unrestrict \$651,000 which represent projects completed but for which cash had not been unrestricted

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27. Result by fund

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	6,937	1,179	2,218
User charges and fees	1,424	865	158
Interest and investment revenue	288	18	21
Other revenues	307	4	12
Grants and contributions provided for operating purposes	12,794	1,509	28
Grants and contributions provided for capital purposes	4,006	2,300	33
Rental income	140	–	–
<b>Total income from continuing operations</b>	<b>25,896</b>	<b>5,875</b>	<b>2,470</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	7,625	847	279
Borrowing costs	108	225	149
Materials and contracts	5,912	1,979	664
Depreciation and amortisation	6,232	747	495
Other expenses	2,138	105	79
Net losses from the disposal of assets	625	–	–
<b>Total expenses from continuing operations</b>	<b>22,640</b>	<b>3,903</b>	<b>1,666</b>
<b>Operating result from continuing operations</b>	<b>3,256</b>	<b>1,972</b>	<b>804</b>
<b>Net operating result for the year</b>	<b>3,256</b>	<b>1,972</b>	<b>804</b>
<b>Net operating result attributable to each council fund</b>	<b>3,256</b>	<b>1,972</b>	<b>804</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(750)</b>	<b>(328)</b>	<b>771</b>

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 27. Result by fund (continued)

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10,508	1,030	3,528
Receivables	1,369	527	241
Inventories	610	–	–
Contract assets	2,601	2,777	–
<b>Total current assets</b>	<b>15,088</b>	<b>4,334</b>	<b>3,769</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	397,800	27,582	22,782
Intangible assets	729	–	–
Right of use assets	178	–	–
<b>Total non-current assets</b>	<b>398,707</b>	<b>27,582</b>	<b>22,782</b>
<b>TOTAL ASSETS</b>	<b>413,795</b>	<b>31,916</b>	<b>26,551</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	1,523	1,925	29
Income received in advance	(5)	5	–
Contract liabilities	921	–	–
Lease liabilities	50	–	–
Borrowings	305	316	86
Provisions	2,741	–	–
<b>Total current liabilities</b>	<b>5,535</b>	<b>2,246</b>	<b>115</b>
<b>Non-current liabilities</b>			
Lease liabilities	81	–	–
Borrowings	1,729	6,111	1,763
Provisions	2,292	–	–
<b>Total non-current liabilities</b>	<b>4,102</b>	<b>6,111</b>	<b>1,763</b>
<b>TOTAL LIABILITIES</b>	<b>9,637</b>	<b>8,357</b>	<b>1,878</b>
<b>Net assets</b>	<b>404,158</b>	<b>23,559</b>	<b>24,673</b>
<b>EQUITY</b>			
Accumulated surplus	129,670	12,151	12,063
Revaluation reserves	274,488	11,408	12,610
<b>Council equity interest</b>	<b>404,158</b>	<b>23,559</b>	<b>24,673</b>
<b>Total equity</b>	<b>404,158</b>	<b>23,559</b>	<b>24,673</b>

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 28(a). Statement of performance measures – consolidated results

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>318</b>	<b>1.14%</b>	2.96%	12.99%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>27,902</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>13,571</b>	<b>39.63%</b>	39.08%	51.93%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>34,241</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>7,011</b>	<b>2.17x</b>	3.93x	5.00x	>1.50x
Current liabilities less specific purpose liabilities	<b>3,238</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>8,274</b>	<b>6.49x</b>	7.39x	11.99x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>1,274</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>850</b>	<b>7.55%</b>	7.49%	7.12%	<10.00%
Rates, annual and extra charges collectible	<b>11,257</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>15,066</b>	<b>8.77</b>	12.48	15.08	>3.00
Monthly payments from cash flow of operating and financing activities	<b>1,717</b>	<b>mths</b>	mths	mths	mths

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 28(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(0.57)%</b>	2.82%	<b>(9.17)%</b>	(12.46)%	<b>31.64%</b>	19.68%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>35.13%</b>	30.26%	<b>35.17%</b>	93.58%	<b>97.53%</b>	97.78%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>2.17x</b>	3.93x	<b>1.93x</b>	6.96x	<b>32.77x</b>	27.62x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>6.91x</b>	8.38x	<b>2.86x</b>	3.21x	<b>9.50x</b>	6.95x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>10.81%</b>	10.41%	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>6.12</b>	9.81	∞	∞	∞	∞	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths					mths

(1) - (2) Refer to Notes at Note 28(a) above.

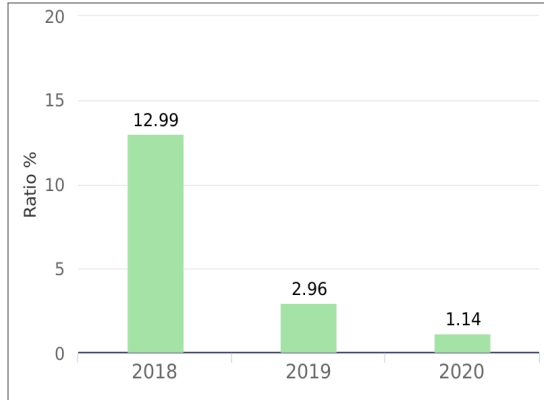
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.



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

Note 28(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 1.14%

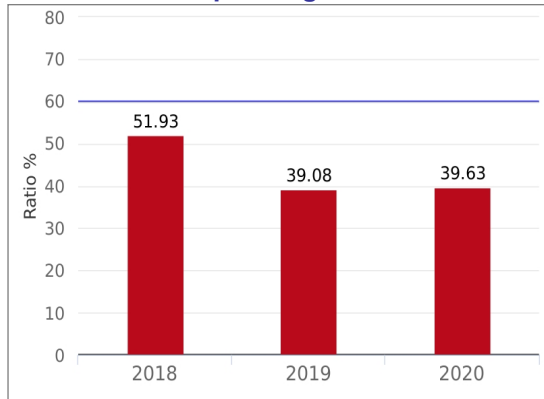
While still a positive result, the reduction in this ratio is indicative of reduced income from water consumption fees due to the drought, increased testing and treatment costs due to the water quality issues as a result of bushfires, additional costs associated with water augmentation to secure Tenterfield's water supply for the future (eg bores) and additional costs associated with COVID-19.

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 39.63%

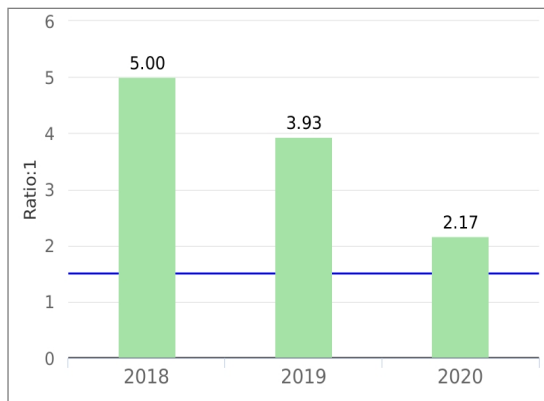
Due to the efforts of Council to attract external grant funding for water infrastructure, roads and bridges, this ratio remains low. Council believes that the benefit to the community from attracting grants outweighs any concerns about the lowering of this ratio.

Benchmark: — > 60.00%

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

Ratio achieves benchmark  
Ratio is outside benchmark

3. Unrestricted current ratio



**Purpose of unrestricted current ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio 2.17x

This ratio is above the required benchmark.

Benchmark: — > 1.50x

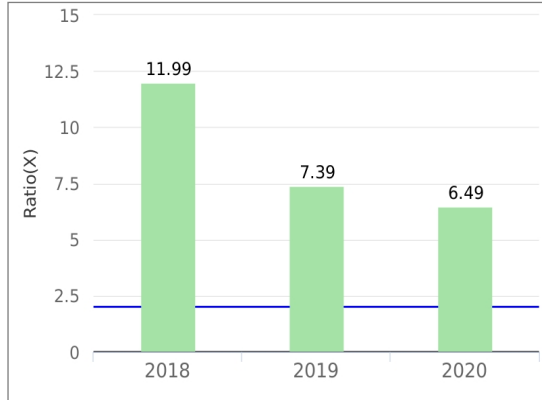
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark  
Ratio is outside benchmark

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

Note 28(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 6.49x

No significant variance.

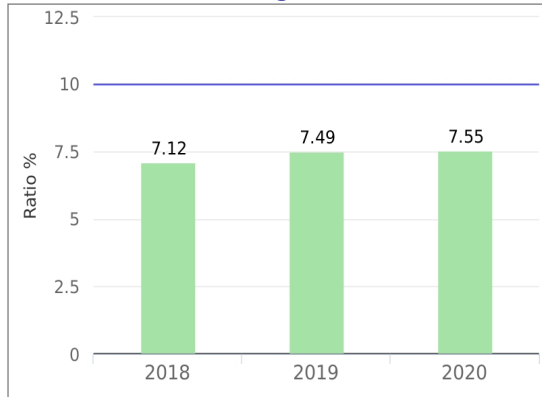
Benchmark: — > 2.00x

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 7.55%

No significant variance. Council deferred the sale of land for unpaid rates which was due to occur in 2019/20 and as a result this ratio did not reduce. This will be rectified in 2020/21 when the sale of land for unpaid rates occurs.

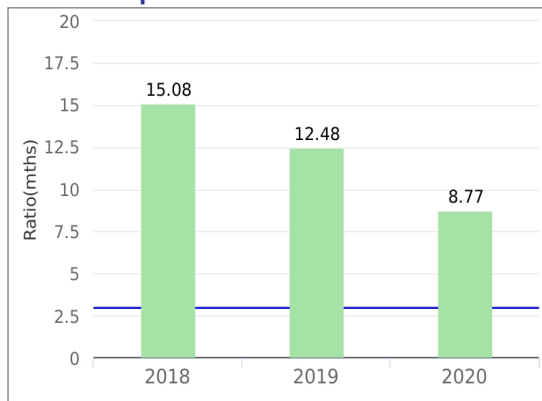
Benchmark: — < 10.00%

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 8.77 mths

This ratio is still well above the required benchmark.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 29. Council information and contact details

### Note 29. Council information and contact details

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**Principal place of business:**

247 Rouse Street  
Tenterfield NSW 2372

#### Contact details

**Mailing Address:**

PO Box 214  
Tenterfield NSW 2372

**Opening hours:**

9:00am - 4:30pm  
Monday to Friday

**Telephone:** 02 6736 6000

**Facsimile:** 02 6736 6005

**Internet:** [www.tenterfield.nsw.gov.au](http://www.tenterfield.nsw.gov.au)

**Email:** [council@tenterfield.nsw.gov.au](mailto:council@tenterfield.nsw.gov.au)

#### Officers

**Chief Executive**

Terry Dodds

**Responsible Accounting Officer**

Paul Della

**Public Officer**

Kylie Smith

**Auditors**

Audit Office of New South Wales  
GPO Box 12  
SYDNEY NSW 2001

#### Elected members

**Mayor**

Peter Petty

**Councillors**

Greg Sauer (Deputy Mayor)

Gary Verri

Bronwyn Petrie

John Macnish

Brian Murray

Tom Peters

Don Forbes

Robert Rogan

Michael Petrie

#### Other information

**ABN:** 85 010 810 083



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

To the Councillors of Tenterfield Shire Council

### **Opinion**

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

In my opinion:

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

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

## **Basis for Opinion**

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://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 22 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.



Chris Harper  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 October 2020  
SYDNEY



Cr Peter Petty  
 Mayor  
 Tenterfield Shire Council  
 PO Box 214  
 TENTERFIELD NSW 2372

Contact: Chris Harper  
 Phone no: 02 925 7374  
 Our ref: D2023204/1794

30 October 2020

Dear Mayor

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

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

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

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

**INCOME STATEMENT**

**Operating result**

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	10.3	9.7	↑ 6.2
Grants and contributions revenue	20.7	20.4	↑ 1.5
Operating result from continuing operations	6.0	10.3	↓ 41.7
Net operating result before capital grants and contributions	(0.3)	0.8	↓ 137.5

The Council’s operating result from continuing operations (\$6.0 million, including depreciation and amortisation expense of \$7.5 million) was \$4.3 million lower than the 2018–19 result. This is primarily due to:

- an increase in materials and contracts expenditure of \$2.2 million for Water Supply Drought Augmentation and Disaster recovery efforts
- an increase in other expenses of \$489,000 due to additional costs incurred for a new phone system and IT system support
- an increase in depreciation and amortisation of \$850,000 due to a reassessment of replacement costs for Road and Bridge assets as part of the revaluation conducted in 2018–19
- net losses on disposals of assets of \$625,000 compared to a net gain on disposal of assets in 2018–19 of \$120,000 as Council disposed of investment properties in the prior year for a profit.

The net operating result before capital grants and contributions of (\$307,000) was \$1.1 million lower than the 2018–19 result. This is predominately due to Council incurring expenditure to address drought and natural disasters which was not wholly offset by grant funding and an increase in depreciation and amortisation of \$850,000.

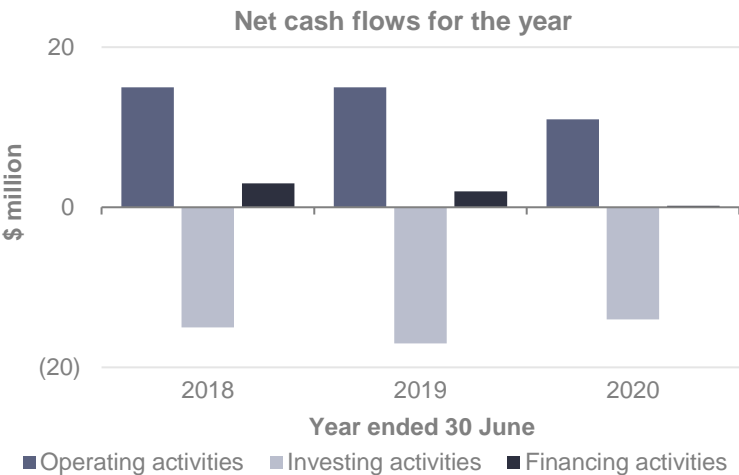
Rates and annual charges revenue (\$10.3 million) increased by \$675,000 (6.2 per cent) in 2019–20 due to rate peg increases along with a new water infrastructure annual charge.

Grants and contributions revenue (\$20.7 million) increased slightly by \$275,000 (1.5 per cent) in 2019–20 due to the net effect of:

- an increase in critical drought initiative funding of \$3.6 million due to the impact of the drought on Tenterfield’s water supply
- an increase in disaster recovery funding of \$3.2 million due to storm and bushfire events during the year
- a decrease in transport grants of \$5.7 million due to the timing of Mount Lindsay Road project payments.

## STATEMENT OF CASH FLOWS

- Cash flows from operating activities decreased mainly due to a decline in grant receipts during 2019–20 (\$3.9 million).
- Cash flows used in investing activities decreased as a result of lower spending on infrastructure, property plant and equipment compared to 2018–19 (\$4.4 million).
- Cash flows from financing activities decreased due to reduced proceeds from borrowings (\$2 million).





## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	12.1	9.9	<ul style="list-style-type: none"> <li>External restrictions increased due to additional restrictions required for domestic waste management operations.</li> </ul>
Internal restrictions	2.9	8.2	
Unrestricted	0.1	0.5	
<b>Cash and investments</b>	<b>15.1</b>	<b>18.6</b>	<ul style="list-style-type: none"> <li>Major external cash restrictions include water fund, sewer fund, domestic waste management and specific purpose unexpended grants.</li> <li>Internal restrictions decreased during the year as Council reconsidered internal restrictions to ensure sufficient funds were available to fund operations.</li> <li>Major internal restrictions related to plant and vehicle replacement.</li> </ul>

## PERFORMANCE

### Performance measures

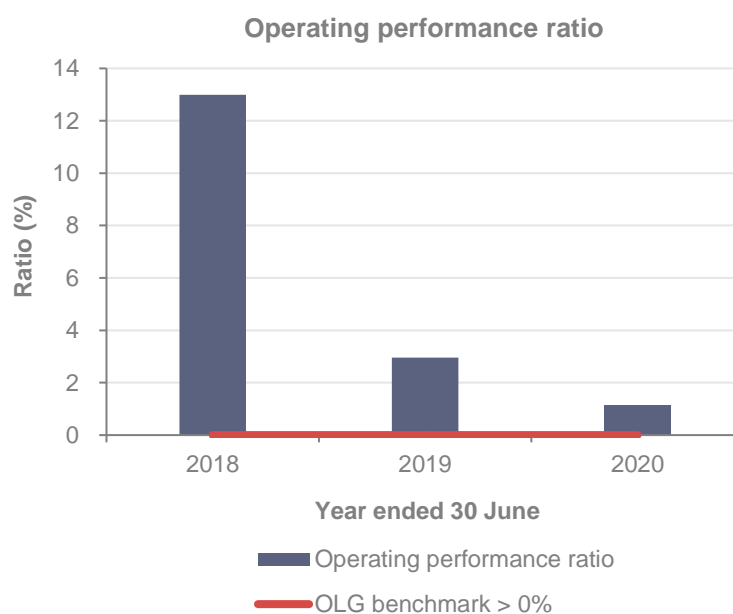
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

#### 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.

Council exceeded the OLG benchmark for the current reporting period.

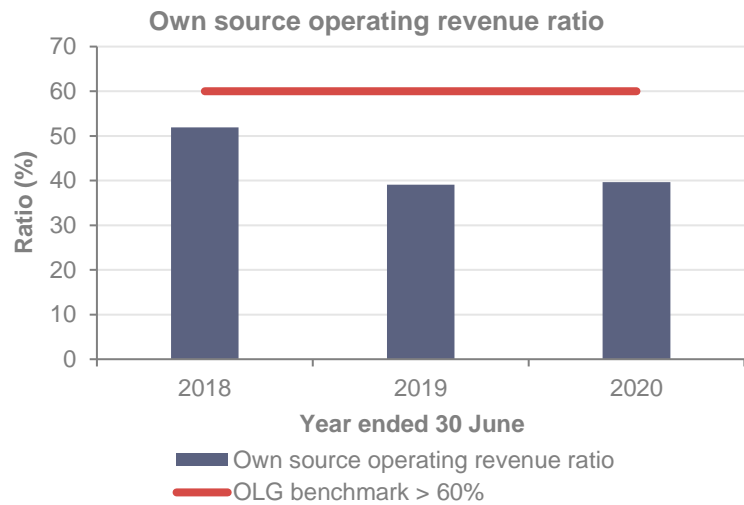
The operating performance ratio declined compared to 2018–19 due to increased expenditure on drought and natural disaster recovery which was not fully offset by additional government funding.



### 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's ratio continues to be below the benchmark set by OLG as Council relies on government grants and contributions to assist in funding operations.

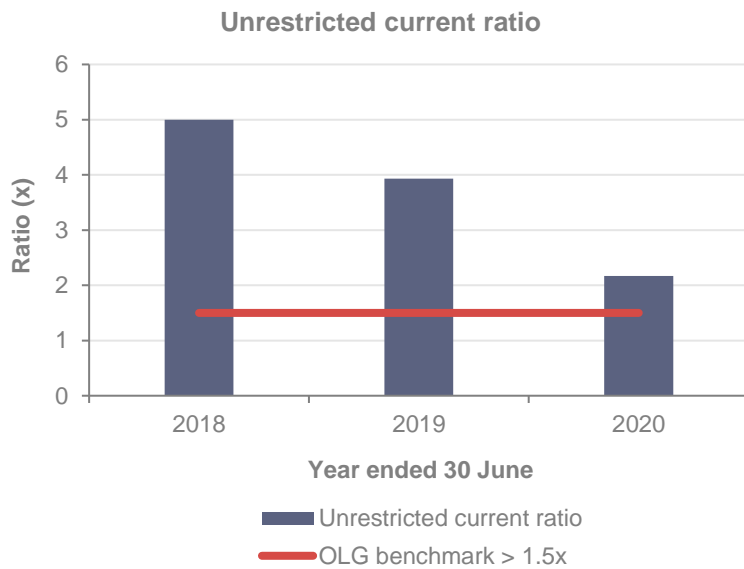


### Unrestricted current ratio

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 continues to exceed the OLG benchmark for the current reporting period.

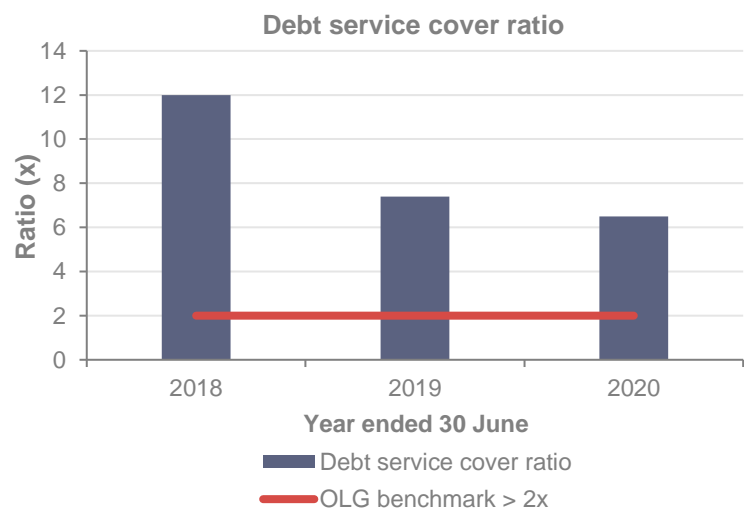
The unrestricted current ratio has declined compared to 2018–19 due to the implementation of new accounting standards (resulting in the recognition of contract liabilities) and the reclassification of provisions from non-current to current as Council expects to conduct rehabilitation works in 2020–21.



### Debt service cover ratio

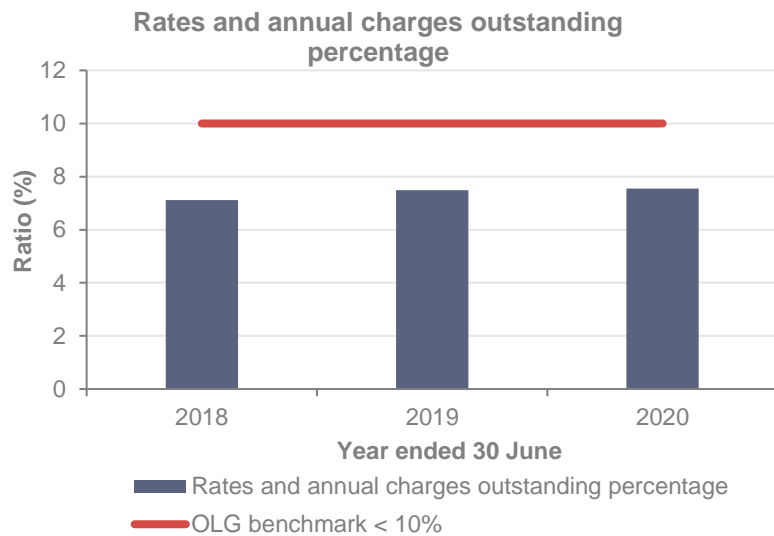
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.

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



## Rates and annual charges outstanding per centage

The 'rates and annual charges outstanding per centage' 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 exceeded the OLG benchmark for the current reporting period.

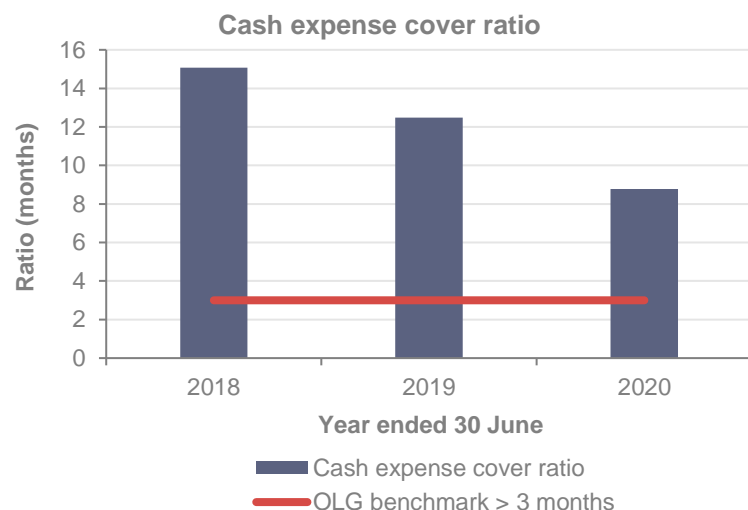


## Cash expense cover ratio

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.

The cash expense cover ratio declined compared to 2018–19 due to increased expenditure on drought and natural disaster recovery which was not fully offset by additional government funding.



## Infrastructure, property, plant and equipment renewals

- Council's Infrastructure, Property, Plant and Equipment renewal expenditure was \$10.2 million, a \$6.2 million decrease compared to 2018–19.
- Infrastructure renewal expenditure represents 136 per cent of the depreciation, amortisation and impairment for the year.
- Major renewals were for roads (\$1.5 million), plant and equipment (\$3.6 million) and capital work in progress (\$5.0 million).
- At 30 June 2020 the major renewal in capital work in progress related to the upgrade of Mount Lindsay Road (\$1.4 million), water supply drought augmentation (\$2.2 million) and bridges (\$1.2 million).

## 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 a \$1.4 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards which included first time recognition of contract liabilities of \$1.4 million and a reclassification of \$2.2 million from receivables to contract assets.

The Council disclosed the impact of adopting the new Revenue Standards in Note 16.

#### **AASB 16 'Leases'**

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

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

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

The Council recognised right-of-use assets and lease liabilities of \$141,000 on 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 13.

## 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.



Chris Harper  
Director, Financial Audit  
Delegate of the Auditor-General for New South Wales

cc: Mr Terry Dodds, General Manager  
Mr Geoff King, Chair of the Audit, Risk and Improvement Committee  
Mr Paul Della, Manager Finance and Technology  
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Tenterfield Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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*"Quality Nature, Quality Heritage and Quality Lifestyle"*



# Special Purpose Financial Statements

for the year ended 30 June 2020

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## Background

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

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

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

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

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

## Tenterfield 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:

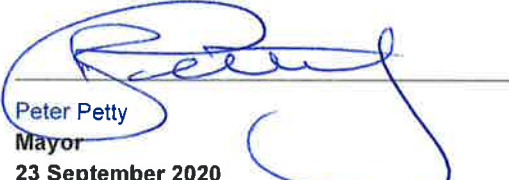
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

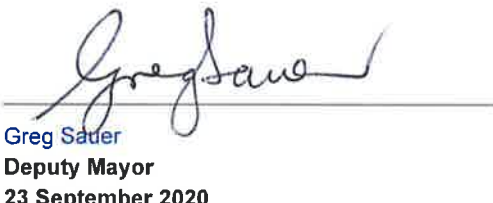
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 23 September 2020.



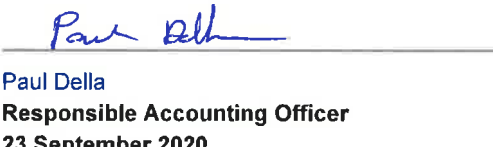
Peter Petty  
Mayor  
23 September 2020



Greg Sater  
Deputy Mayor  
23 September 2020



Terry Dodds  
Chief Executive  
23 September 2020



Paul Della  
Responsible Accounting Officer  
23 September 2020



## Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	1,179	917
User charges	825	1,112
Fees	40	69
Interest	18	11
Grants and contributions provided for non-capital purposes	1,509	125
Other income	4	5
<b>Total income from continuing operations</b>	<b>3,575</b>	<b>2,239</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	847	755
Borrowing costs	225	159
Materials and contracts	1,979	878
Depreciation, amortisation and impairment	747	630
Loss on de-recognition of assets	–	25
Other expenses	105	71
<b>Total expenses from continuing operations</b>	<b>3,903</b>	<b>2,518</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(328)</b>	<b>(279)</b>
Grants and contributions provided for capital purposes	2,300	20
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,972</b>	<b>(259)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,972</b>	<b>(259)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,972</b>	<b>(259)</b>
<b>Plus accumulated surplus</b>	<b>10,179</b>	<b>10,438</b>
<b>Plus adjustments for amounts unpaid:</b>		
<b>Closing accumulated surplus</b>	<b>12,151</b>	<b>10,179</b>
<b>Return on capital %</b>	<b>(0.4)%</b>	<b>(0.5)%</b>
<b>Subsidy from Council</b>	<b>346</b>	<b>453</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,972	(259)
Less: capital grants and contributions (excluding developer contributions)	(2,300)	–
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	2,218	2,000
User charges	119	142
Liquid trade waste charges	19	24
Fees	20	22
Interest	21	2
Grants and contributions provided for non-capital purposes	28	28
Other income	12	13
<b>Total income from continuing operations</b>	<b>2,437</b>	<b>2,231</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	279	434
Borrowing costs	149	155
Materials and contracts	664	640
Depreciation, amortisation and impairment	495	484
Other expenses	79	79
<b>Total expenses from continuing operations</b>	<b>1,666</b>	<b>1,792</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>771</b>	<b>439</b>
Grants and contributions provided for capital purposes	33	22
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>804</b>	<b>461</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>804</b>	<b>461</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(212)	(121)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>592</b>	<b>340</b>
<b>Plus accumulated surplus</b>	<b>11,259</b>	<b>10,798</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	212	121
<b>Closing accumulated surplus</b>	<b>12,063</b>	<b>11,259</b>
<b>Return on capital %</b>	<b>4.0%</b>	<b>2.6%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	592	340
Less: capital grants and contributions (excluding developer contributions)	(33)	–
<b>Surplus for dividend calculation purposes</b>	<b>559</b>	<b>340</b>
<b>Potential dividend calculated from surplus</b>	<b>279</b>	<b>170</b>

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Contract assets	2,777	–
Cash and cash equivalents	1,030	2,191
Receivables	527	726
<b>Total current assets</b>	<b>4,334</b>	<b>2,917</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	27,582	25,219
<b>Total non-current assets</b>	<b>27,582</b>	<b>25,219</b>
<b>TOTAL ASSETS</b>	<b>31,916</b>	<b>28,136</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,925	87
Income received in advance	5	5
Borrowings	316	327
<b>Total current liabilities</b>	<b>2,246</b>	<b>419</b>
<b>Non-current liabilities</b>		
Borrowings	6,111	6,351
<b>Total non-current liabilities</b>	<b>6,111</b>	<b>6,351</b>
<b>TOTAL LIABILITIES</b>	<b>8,357</b>	<b>6,770</b>
<b>NET ASSETS</b>	<b>23,559</b>	<b>21,366</b>
<b>EQUITY</b>		
Accumulated surplus	12,151	10,179
Revaluation reserves	11,408	11,187
<b>TOTAL EQUITY</b>	<b>23,559</b>	<b>21,366</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,528	1,568
Investments	–	1,220
Receivables	241	223
<b>Total current assets</b>	<b>3,769</b>	<b>3,011</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	22,782	22,612
<b>Total non-current assets</b>	<b>22,782</b>	<b>22,612</b>
<b>TOTAL ASSETS</b>	<b>26,551</b>	<b>25,623</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	29	29
Borrowings	86	80
<b>Total current liabilities</b>	<b>115</b>	<b>109</b>
<b>Non-current liabilities</b>		
Borrowings	1,763	1,849
<b>Total non-current liabilities</b>	<b>1,763</b>	<b>1,849</b>
<b>TOTAL LIABILITIES</b>	<b>1,878</b>	<b>1,958</b>
<b>NET ASSETS</b>	<b>24,673</b>	<b>23,665</b>
<b>EQUITY</b>		
Accumulated surplus	12,063	11,259
Revaluation reserves	12,610	12,406
<b>TOTAL EQUITY</b>	<b>24,673</b>	<b>23,665</b>

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

### Note 1. Significant Accounting Policies

---

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

Nil

##### Category 2

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

###### a. Tenterfield Shire Water Supplies

Water supply system servicing the towns of Tenterfield, Urbenville and Jennings.

###### b. Tenterfield Shire Sewerage Services

Sewerage reticulation and treatment system servicing the towns of Tenterfield and Jennings.

#### Monetary amounts

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

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

### Note 1. Significant Accounting Policies (continued)

---

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

#### Income tax

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

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

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

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

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

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

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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

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

### Note 1. Significant Accounting Policies (continued)

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**  
**Tenterfield Shire Council**

To the Councillors of Tenterfield Shire Council

## **Opinion**

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

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

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

## **Basis for Opinion**

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

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

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

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

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

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

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



## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically

- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read "CHarper", with a long horizontal stroke extending to the right.

Chris Harper  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 October 2020  
SYDNEY

# Tenterfield Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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*"Quality Nature, Quality Heritage and Quality Lifestyle"*



## Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

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## Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	4,598	4,469
Plus or minus adjustments <sup>2</sup>	b	–	39
<b>Notional general income</b>	c = a + b	<b>4,598</b>	<b>4,508</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	120	122
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>4,718</b>	<b>4,630</b>
Plus (or minus) last year's carry forward total	l	2	(30)
<b>Sub-total</b>	n = (l + m)	<b>2</b>	<b>(30)</b>
<b>Total permissible income</b>	o = k + n	<b>4,720</b>	<b>4,600</b>
Less notional general income yield	p	4,718	4,598
<b>Catch-up or (excess) result</b>	q = o – p	<b>1</b>	<b>2</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>1</b>	<b>2</b>

**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**  
**Tenterfield Shire Council**

To the Councillors of Tenterfield Shire Council

### **Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Tenterfield 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](http://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 'CHarper', with a long horizontal stroke extending to the right.

Chris Harper  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 October 2020  
SYDNEY



## Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	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							
<b>(a) Report on Infrastructure Assets - Values</b>														
<b>Buildings</b>	Buildings	1,643	444	542	542	13,413	30,643	2.0%	12.0%	58.0%	26.0%	2.0%		
	<b>Sub-total</b>	<b>1,643</b>	<b>444</b>	<b>542</b>	<b>542</b>	<b>13,413</b>	<b>30,643</b>	<b>2.0%</b>	<b>12.0%</b>	<b>58.0%</b>	<b>26.0%</b>	<b>2.0%</b>		
<b>Other structures</b>	Other structures	80	124	86	86	2,318	3,642	22.0%	14.0%	57.0%	4.0%	3.0%		
	<b>Sub-total</b>	<b>80</b>	<b>124</b>	<b>86</b>	<b>86</b>	<b>2,318</b>	<b>3,642</b>	<b>22.0%</b>	<b>14.0%</b>	<b>57.0%</b>	<b>4.0%</b>	<b>3.0%</b>		
<b>Roads</b>	Bridges	6,344	7,454	52	52	46,763	89,157	12.0%	49.0%	11.0%	19.0%	9.0%		
	Footpaths	12	–	–	–	2,477	3,350	61.0%	33.0%	5.0%	1.0%	0.0%		
	Bulk earthworks	–	–	–	–	91,880	91,880	100.0%	0.0%	0.0%	0.0%	0.0%		
	Roads	7,568	2,894	4,764	4,764	212,436	263,213	59.0%	19.0%	13.0%	7.0%	2.0%		
	<b>Sub-total</b>	<b>13,924</b>	<b>10,348</b>	<b>4,816</b>	<b>4,816</b>	<b>353,556</b>	<b>447,600</b>	<b>58.1%</b>	<b>21.2%</b>	<b>9.9%</b>	<b>7.9%</b>	<b>3.0%</b>		
<b>Water supply network</b>	Water supply	5,240	10,583	1,518	1,518	23,593	58,100	8.0%	5.0%	60.0%	9.0%	18.0%		
	<b>Sub-total</b>	<b>5,240</b>	<b>10,583</b>	<b>1,518</b>	<b>1,518</b>	<b>23,593</b>	<b>58,100</b>	<b>8.0%</b>	<b>5.0%</b>	<b>60.0%</b>	<b>9.0%</b>	<b>18.0%</b>		
<b>Sewerage network</b>	Sewerage network	213	–	943	944	21,971	33,905	15.0%	42.0%	39.0%	4.0%	0.0%		
	<b>Sub-total</b>	<b>213</b>	<b>–</b>	<b>943</b>	<b>944</b>	<b>21,971</b>	<b>33,905</b>	<b>15.0%</b>	<b>42.0%</b>	<b>39.0%</b>	<b>4.0%</b>	<b>0.0%</b>		
<b>Stormwater drainage</b>	Stormwater drainage	654	325	–	–	3,796	8,354	24.0%	33.0%	13.0%	26.0%	4.0%		
	<b>Sub-total</b>	<b>654</b>	<b>325</b>	<b>–</b>	<b>–</b>	<b>3,796</b>	<b>8,354</b>	<b>24.0%</b>	<b>33.0%</b>	<b>13.0%</b>	<b>26.0%</b>	<b>4.0%</b>		
<b>Open space / recreational assets</b>	Swimming pools	–	–	121	121	907	1,205	0.0%	99.0%	1.0%	0.0%	0.0%		
	Open Space & Recreation	80	57	875	875	1,682	2,350	35.0%	36.0%	16.0%	11.0%	2.0%		
	<b>Sub-total</b>	<b>80</b>	<b>57</b>	<b>996</b>	<b>996</b>	<b>2,589</b>	<b>3,555</b>	<b>23.1%</b>	<b>57.4%</b>	<b>10.9%</b>	<b>7.3%</b>	<b>1.3%</b>		
<b>TOTAL - ALL ASSETS</b>		<b>21,834</b>	<b>21,881</b>	<b>8,901</b>	<b>8,902</b>	<b>421,236</b>	<b>585,799</b>	<b>46.8%</b>	<b>20.6%</b>	<b>19.4%</b>	<b>9.0%</b>	<b>4.2%</b>		

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

### Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>6,622</b>	<b>102.03%</b>	236.56%	159.43%	>=100.00%
Depreciation, amortisation and impairment	<b>6,490</b>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>21,834</b>	<b>5.18%</b>	4.58%	10.73%	<2.00%
Net carrying amount of infrastructure assets	<b>421,236</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>8,902</b>	<b>100.01%</b>	100.01%	100.00%	>100.00%
Required asset maintenance	<b>8,901</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>21,881</b>	<b>3.74%</b>	3.87%	8.16%	
Gross replacement cost	<b>585,799</b>				

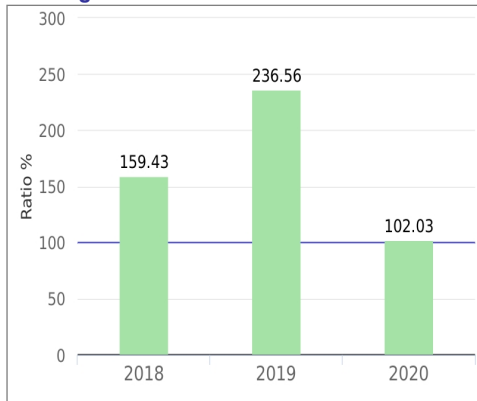
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Includes renewal works in 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 102.03%

While above the benchmark, the significant change from the 2018/19 result is mainly due to additional expenditure on capital upgrades eg Mount Lindesay Road rather than renewal of existing assets.

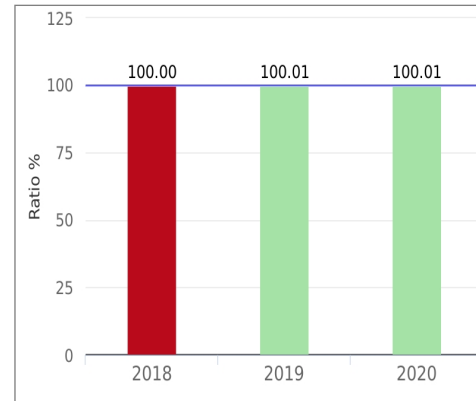
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

**Asset maintenance ratio**



**Asset maintenance ratio**

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

**Commentary on result**

19/20 ratio 100.01%

On target.

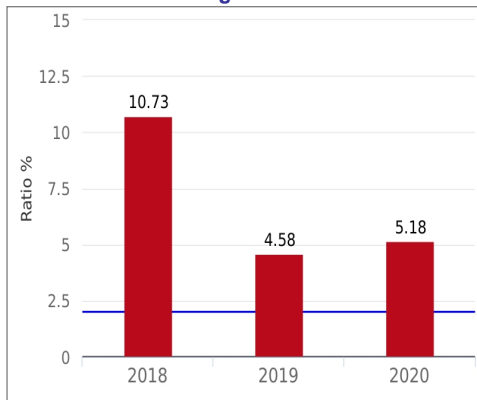
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

**Infrastructure backlog ratio**



**Infrastructure backlog ratio**

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

**Commentary on result**

19/20 ratio 5.18%

No significant variation from 2018/19.

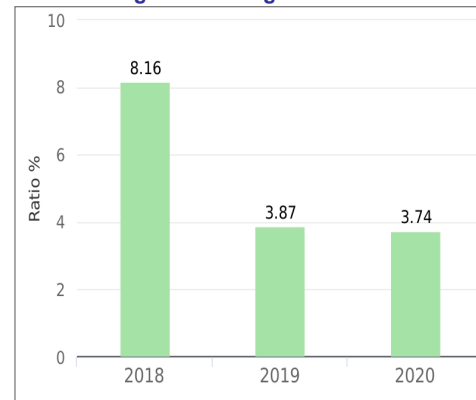
Benchmark: —  $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

**Cost to bring assets to agreed service level**



**Cost to bring assets to agreed service level**

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

**Commentary on result**

19/20 ratio 3.74%

This continues to trend in a favourable direction.

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>Infrastructure asset performance indicators (by fund)</b>							
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>							
Asset renewals <sup>2</sup>							
Depreciation, amortisation and impairment	<b>118.02%</b>	281.47%	<b>0.00%</b>	40.36%	<b>76.62%</b>	63.54%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>4.36%</b>	3.71%	<b>22.21%</b>	21.54%	<b>0.97%</b>	0.96%	<2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>100.00%</b>	100.02%	<b>100.00%</b>	100.00%	<b>100.11%</b>	100.00%	>100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>2.29%</b>	2.46%	<b>18.22%</b>	18.24%	<b>0.00%</b>	0.00%	

(1) Includes renewal works in 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.