

Bega Valley Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020



Bega Valley Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

Zingel Place,
BEGA NSW 2550

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.begavalley.nsw.gov.au.

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 07 October 2020.



Cr. Russell Fitzpatrick

Mayor

30 November 2020



Cr. Liz Seckold

Deputy Mayor

30 November 2020



Leanne Barnes

General Manager

30 November 2020



Judith Jordan

Responsible Accounting Officer

30 November 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019 ^{1, 2}
Income from continuing operations				
50,752	Rates and annual charges	3a	52,260	50,496
21,065	User charges and fees	3b	20,026	18,636
1,098	Other revenues	3c	1,253	1,134
16,217	Grants and contributions provided for operating purposes	3d,3e	29,316	19,091
61,364	Grants and contributions provided for capital purposes	3d,3e	23,719	16,910
1,532	Interest and investment income	4	2,097	2,241
–	Net gains from the disposal of assets	6	–	179
152,028	Total income from continuing operations		128,671	108,687
Expenses from continuing operations				
36,679	Employee benefits and on-costs	5a	37,263	33,612
1,731	Borrowing costs	5b	1,776	1,835
28,132	Materials and contracts	5c	31,338	35,359
21,500	Depreciation and amortisation	5d	25,446	22,850
9,596	Other expenses	5e	6,898	7,041
–	Net losses from the disposal of assets	6	726	–
97,638	Total expenses from continuing operations		103,447	100,697
54,390	Operating result from continuing operations		25,224	7,990
54,390	Net operating result for the year		25,224	7,990
54,390	Net operating result attributable to council		25,224	7,990
(6,974)	Net operating result for the year before grants and contributions provided for capital purposes		1,505	(8,920)

(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*

(2) Reinstatement has occurred to reflect recategorisation of amounts

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		25,224	7,990
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	146,356	29,782
Total items which will not be reclassified subsequently to the operating result		146,356	29,782
Total other comprehensive income for the year		146,356	29,782
Total comprehensive income for the year		171,580	37,772
 Total comprehensive income attributable to Council		 171,580	 37,772

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	85,519	82,887
Receivables	8	16,924	6,213
Inventories	9	572	462
Total current assets		103,015	89,562
Non-current assets			
Receivables	8	6	9
Infrastructure, property, plant and equipment	10(a)	1,142,297	987,476
Right of use assets		—	—
Total non-current assets		1,142,303	987,485
Total assets		1,245,318	1,077,047
LIABILITIES			
Current liabilities			
Payables	13	8,895	5,999
Income received in advance	13	—	842
Contract liabilities	11b	14,300	—
Borrowings	13	3,772	3,496
Provisions	14	8,793	7,042
Total current liabilities		35,760	17,379
Non-current liabilities			
Payables	13	—	1
Borrowings	13	27,749	31,775
Provisions	14	6,011	5,942
Total non-current liabilities		33,760	37,718
Total liabilities		69,520	55,097
Net assets		1,175,798	1,021,950
EQUITY			
Accumulated surplus	15	602,198	594,706
Revaluation reserves	15	573,600	427,244
Council equity interest		1,175,798	1,021,950
Total equity		1,175,798	1,021,950

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		594,706	427,244	1,021,950	566,508	397,462	963,970
Correction of prior period errors		–	–	–	20,208	–	20,208
Changes due to AASB 1058 and AASB 15 adoption	15	(17,732)	–	(17,732)	–	–	–
Changes due to AASB 16 adoption	15	–	–	–	–	–	–
Restated opening balance		576,974	427,244	1,004,218	586,716	397,462	984,178
Net operating result for the year		25,224	–	25,224	7,990	–	7,990
Restated net operating result for the period		25,224	–	25,224	7,990	–	7,990
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	146,356	146,356	–	29,782	29,782
Other comprehensive income		–	146,356	146,356	–	29,782	29,782
Total comprehensive income		25,224	146,356	171,580	7,990	29,782	37,772
Equity – balance at end of the reporting period		602,198	573,600	1,175,798	594,706	427,244	1,021,950

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
50,752	Rates and annual charges		52,637	50,087
21,065	User charges and fees		18,053	21,480
1,532	Investment and interest revenue received		2,101	2,214
76,903	Grants and contributions		42,768	36,023
–	Bonds, deposits and retention amounts received		52	15
1,002	Other		6,178	969
Payments:				
(36,679)	Employee benefits and on-costs		(35,537)	(32,953)
(28,132)	Materials and contracts		(36,603)	(35,049)
(1,732)	Borrowing costs		(1,731)	(1,915)
(9,307)	Other		(6,898)	(7,676)
75,404	Net cash provided (or used in) operating activities	16b	41,020	33,195
Cash flows from investing activities				
Receipts:				
–	Sale of infrastructure, property, plant and equipment		1,131	2,524
Payments:				
(78,920)	Purchase of infrastructure, property, plant and equipment		(35,768)	(21,110)
–	Purchase of real estate assets		–	(69)
–	Deferred debtors and advances made		(1)	4
(78,920)	Net cash provided (or used in) investing activities		(34,638)	(18,651)
Cash flows from financing activities				
Payments:				
(3,750)	Repayment of borrowings and advances		(3,750)	(3,758)
–	Lease liabilities (principal repayments)		–	(65)
(3,750)	Net cash flow provided (used in) financing activities		(3,750)	(3,823)
(7,266)	Net increase/(decrease) in cash and cash equivalents		2,632	10,721
82,887	Plus: cash and cash equivalents – beginning of year	16a	82,887	72,166
75,621	Cash and cash equivalents – end of the year	16a	85,519	82,887

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 07 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (ii) estimated tip remediation provisions – refer Note 11
- (iii) employee benefit provisions – refer Note 11.

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 7.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

Twyford Hall 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.

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

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

Goods and Services Tax (GST)

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

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

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

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.

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

OR

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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.

New accounting standards adopted during the year

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Governance	–	–	586	591	(586)	(591)	–	–	–	–
Administration	4,462	4,993	26,853	9,138	(22,391)	(4,145)	1,651	596	104,653	30,416
Public Order and Safety	934	656	5,934	2,452	(5,000)	(1,796)	682	379	5,257	4,393
Health	318	319	369	227	(51)	92	16	–	–	4
Environment	18,188	11,763	13,732	16,156	4,456	(4,393)	6,591	317	–	–
Community Services and Education	11,477	7,240	7,942	7,408	3,535	(168)	11,007	6,525	4,855	4,716
Housing and Community Amenities	877	860	2,605	3,069	(1,728)	(2,209)	56	61	68,242	43,909
Water Supplies	14,016	12,879	12,526	8,045	1,490	4,834	735	–	195,718	191,076
Sewerage Supplies	19,516	18,427	15,336	12,786	4,180	5,641	887	–	186,633	183,672
Recreation and Culture	4,381	2,625	7,151	9,822	(2,770)	(7,197)	3,602	1,225	133,318	119,417
Mining, Manufacturing and Construction	1,130	1,213	859	1,016	271	197	–	54	1,124	435
Transport and Communication	20,351	14,697	8,456	29,887	11,895	(15,190)	19,739	18,838	538,631	419,266
Economic Affairs	844	423	1,095	100	(251)	323	690	95	6,887	7,828
General Purpose Income	32,177	32,592	3	–	32,174	32,592	–	5,161	–	71,915
Other	–	–	–	–	–	–	554	–	–	–
Total functions and activities	128,671	108,687	103,447	100,697	25,224	7,990	46,210	33,251	1,245,318	1,077,047

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Governance

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

Administration

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

Public Order and Safety

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

Health

Inspection, immunisations, food control, health centres, other, administration.

Environment

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

Community Services and Education

Administration, family day care, child care, youth services, other family and children, aged and disabled, Aboriginal services, other community services, education.

Housing and Community Amenities

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

Water Supply Service

Sewerage Services

Recreation and Culture

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

Mining Manufacturing and Construction

Building control, quarries and pits, other.

Transport and Communication

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

Economic Affairs

Camping areas, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, other business undertakings.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	20,320	19,553
Farmland	1058 (1)	1,701	1,659
Business	1058 (1)	2,236	2,396
Less: pensioner rebates (mandatory)	1058 (1)	(376)	(371)
Less: pensioner rebates (Council policy)	1058 (1)	(307)	(304)
Rates levied to ratepayers		23,574	22,933
Pensioner rate subsidies received	1058 (1)	523	374
Total ordinary rates		24,097	23,307
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	8,389	7,414
Stormwater management services	1058 (1)	296	293
Water supply services	1058 (1)	3,868	3,549
Sewerage services	1058 (1)	16,099	15,443
Waste management services (non-domestic)	1058 (1)	(9)	827
Less: pensioner rebates (mandatory)	1058 (1)	(411)	(420)
Less: pensioner rebates (Council policy)	1058 (1)	(336)	(343)
Annual charges levied		27,896	26,763
Pensioner subsidies received:			
– Water	1058 (1)	143	146
– Sewerage	1058	124	126
– Domestic waste management	1058 (1)	–	154
Total annual charges		28,163	27,189
TOTAL RATES AND ANNUAL CHARGES		52,260	50,496

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

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

Council has used 1 July 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1058 (1)	8,799	7,806
Sewerage services	1058 (1)	2,369	2,106
Total specific user charges		11,168	9,912
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	1058 (1)	1,672	1,697
Private works – section 67	1058 (1)	315	117
Regulatory/ statutory fees	1058 (1)	4	–
Regulatory fees	1058 (1)	60	35
Section 603 certificates	1058 (1)	121	82
Tapping fees	1058	141	185
Total fees and charges – statutory/regulatory		2,313	2,116
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	1058 (1)	538	668
Cemeteries	1058 (1)	325	348
Child care	1058 (1)	468	715
Community centres	1058 (1)	261	218
Lease rentals	1058 (1)	468	652
Leaseback fees – Council vehicles	1058 (1)	347	322
Leisure centre	1058 (1)	61	18
Library and art gallery	1058 (1)	42	67
Quarry revenues	1058 (1)	102	57
Recycling income (non-domestic)	1058 (1)	191	242
Refuse and effluent disposal	1058 (1)	44	50
Swimming centres	1058 (1)	514	792
Waste disposal tipping fees	1058 (1)	2,936	2,201
Committee funds	1058 (1)	13	21
Food shop inspections	1058 (1)	–	1
Planning and building – discretionary	1058 (1)	213	222
Other	1058 (1)	22	14
Total fees and charges – other		6,545	6,608
TOTAL USER CHARGES AND FEES		20,026	18,636

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

2019 accounting policy

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

\$ '000	AASB	2020	2019
(c) Other revenues			
Fines	1058 (1)	158	77
Legal fees recovery – rates and charges (extra charges)	1058 (1)	134	271
Diesel rebate	1058 (1)	58	131
Insurance claims recoveries	1058 (1)	818	250
Sales – general	1058 (1)	68	316
Fundraising and donations	1058 (1)	9	55
State waste rebate	1058 (1)	–	4
Other	1058 (1)	8	30
<u>TOTAL OTHER REVENUE</u>		<u>1,253</u>	<u>1,134</u>

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	2,596	2,894	–	–
Financial assistance – local roads component	1058 (1)	977	963	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	2,749	2,267	–	–
Financial assistance – local roads component	1058 (1)	1,037	999	–	–
Total general purpose		7,359	7,123	–	–
Specific purpose					
Bushfire and emergency services	1058	600	300	107	79
Child care	1058	2,270	1,812	76	127
Community care	1058	8,644	4,578	–	–
Community centres	1058	–	–	33	–
Economic development	1058	398	95	–	–
Employment and training programs	1058	5	8	–	–
Environmental programs	1058	192	108	–	–
Heritage and cultural	1058	54	61	–	–
Library	1058	182	171	37	–
LIRS subsidy	1058	135	162	–	–
Noxious weeds	1058	227	186	–	–
Public halls	1058	–	–	361	209
Recreation and culture	1058	–	2	2,915	781
Street lighting	1058	55	54	–	–
Transport (roads to recovery)	1058	–	–	38	–
Transport (other roads and bridges funding)	1058	4,381	3,693	15,519	12,812
Health	1058	16	–	–	–
Planning	1058	(42)	7	–	–
Regulatory	1058	83	54	–	–
Waste	1058	194	445	2,084	–
Wharves and jetties	1058	–	–	245	371
Other (enter details...)	1058	35	13	–	–
Other		7	–	–	–
Natural Disaster	1058 (1)	–	–	–	–
Total specific purpose		17,436	11,749	21,415	14,379
Total grants		24,795	18,872	21,415	14,379
Grant revenue is attributable to:					
– Commonwealth funding		8,316	–	9,406	–
– State funding		6,043	–	8,473	–
– Other funding		10,436	18,872	3,536	14,379
		24,795	18,872	21,415	14,379

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)

Also \$3.3 million is a prior period error however corrected through the current year income statement and included in the Transport Operational Grants above.

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058	–	–	682	755
S 64 – water supply contributions		1058	–	–	747	923
S 64 – sewerage service contributions		1058	–	–	887	815
Total developer contributions – cash			–	–	2,316	2,493
Total developer contributions	24		–	–	2,316	2,493
Other contributions:						
Cash contributions						
Bushfire services		1058	(40)	111	–	–
Community services		1058	8	5	–	–
Recreation and culture		1058	19	16	–	18
Roads and bridges		1058	3	–	–	–
Water supplies (excl. section 64 contributions)		1058	–	–	(12)	20
Other		1058	4,659	3	–	–
Administration		1058	(169)	–	–	–
Library		1058	41	84	–	–
Total other contributions – cash			4,521	219	(12)	38
Total other contributions			4,521	219	(12)	38
Total contributions			4,521	219	2,304	2,531
TOTAL GRANTS AND CONTRIBUTIONS			29,316	19,091	23,719	16,910

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

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

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

\$ '000	2020	2019
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(f) Unspent grants and contributions – external restrictions

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	11,124	11,889
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	12,977
Add: operating grants received for the provision of goods and services in a future period	1,731	10,000
Less: operating grants recognised in a previous reporting period now spent (2019 only)	(10,648)	(9,814)
Less: operating grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (operating grants)	2,207	25,052
Capital grants		
Unexpended at the close of the previous reporting period	13,928	–
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	–
Add: capital grants received for the provision of goods and services in a future period	2,545	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	(4,112)	–
Less: capital grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (capital grants)	12,361	–
Provide details here ...		
Contributions		
Unexpended at the close of the previous reporting period	–	–
Add: contributions recognised as income in the current period but not yet spent	–	–
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
Less: contributions recognised in a previous reporting period now spent	–	–
Unexpended and held as externally restricted assets (contributions)	–	–

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	115	215
– Cash and investments	1,113	1,957
– Other	869	65
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	–	4
Finance income on the net investment in the lease	–	–
Total Interest and investment income	2,097	2,241

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income (continued)

\$ '000	2020	2019
Overdue rates and annual charges (general fund)	86	215
General Council cash and investments	1,717	509
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	66	53
Water fund operations	155	526
Sewerage fund operations	73	938
Total interest and investment revenue	2,097	2,241

Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	29,057	26,004
Travel expenses	135	174
Employee leave entitlements (ELE)	5,609	4,727
Superannuation	3,144	3,014
Workers' compensation insurance	890	759
Fringe benefit tax (FBT)	7	6
Payroll tax	351	358
Training costs (other than salaries and wages)	192	291
Protective clothing	42	66
Other	17	22
Total employee costs	39,444	35,421
Less: capitalised costs	(2,181)	(1,809)
TOTAL EMPLOYEE COSTS EXPENSED	37,263	33,612
Number of 'full-time equivalent' employees (FTE) at year end	343	341

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 15 for more information.

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on overdraft	1	1
Interest on loans	1,775	1,831
Charges relating to finance leases	–	3
Total interest bearing liability costs	1,776	1,835
Total interest bearing liability costs expensed	1,776	1,835
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
TOTAL BORROWING COSTS EXPENSED	1,776	1,835

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	5,735	6,626
Contractor and consultancy costs	24,956	27,732
Auditors remuneration ²	118	134
Legal expenses:		
Expenses from short-term leases (2020 only)	6	–
Expenses from leases of low value assets (2020 only)	175	–
Expenses from Peppercorn leases (2020 only)	–	–
– Legal expenses: planning and development	17	11
– Legal expenses: debt recovery	135	320
– Legal expenses: other	196	329
Variable lease expense relating to usage (2020 only)	–	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	207
Total materials and contracts	31,338	35,359
TOTAL MATERIALS AND CONTRACTS	31,338	35,359

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Computers	–	207
	–	207

2. Auditor remuneration

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

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

Audit and review of financial statements	97	93
Remuneration for audit and other assurance services	97	93
Total Auditor-General remuneration	97	93

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

Other audit and assurance services	21	41
Remuneration for audit and other assurance services	21	41
Total remuneration of non NSW Auditor-General audit firms	21	41
Total Auditor remuneration	118	134

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,549	1,437
Office equipment		72	90
Infrastructure:	10(a)		
– Buildings – specialised		850	1,547
– Roads		9,482	7,688
– Bridges		2,003	1,912
– Footpaths		198	195
– Stormwater drainage		376	374
– Water supply network		3,610	3,505
– Sewerage network		3,984	3,753
– Swimming pools		190	214
– Other open space/recreational assets		1,251	1,330
– Other infrastructure		1,837	752
Right of use assets	12	–	–
Other assets:			
– Library books		44	53
Total gross depreciation and amortisation costs		25,446	22,850
Total depreciation and amortisation costs		25,446	22,850
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		25,446	22,850

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 9 for IPPE assets and Note 12 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.

Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	204	290
Training costs (other than salaries and wages)	–	–
Travel expenses	–	–
Bad and doubtful debts	19	–
Bank charges	190	184
Computer software charges	1,002	1,034
Contributions/levies to other levels of government		
– NSW rural fire service levy	369	929
– Other contributions/levies	–	19
Councillor expenses – mayoral fee	41	41
Councillor expenses – councillors' fees	183	187
Councillors' expenses (incl. mayor) – other (excluding fees above)	35	137
Donations, contributions and assistance to other organisations (Section 356)	462	223
Electricity and heating	1,782	1,396
Insurance	803	773
Postage	167	186
Printing and stationery	379	295
Street lighting	356	390
Subscriptions and publications	198	211
Telephone and communications	596	569
Valuation fees	112	125
Other	–	52
Total other expenses	6,898	7,041
TOTAL OTHER EXPENSES	6,898	7,041

Accounting policy for other expenses

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

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		–	1,250
Less: carrying amount of property assets sold/written off		(1,202)	(1,250)
Net gain/(loss) on disposal		(1,202)	–
Plant and equipment			
	10(a)		
Proceeds from disposal – plant and equipment		1,131	1,243
Less: carrying amount of plant and equipment assets sold/written off		(655)	(1,064)
Net gain/(loss) on disposal		476	179
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(726)	179

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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	2,743	2,427
Cash-equivalent assets		
– Short-term deposits	82,776	80,460
Total cash and cash equivalents	85,519	82,887

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
Investments				
a. 'Financial assets at fair value through profit and loss'				
<u>Total Investments</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>85,519</u>	<u>–</u>	<u>82,887</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.

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	85,519	–	82,887	–
attributable to:				

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
External restrictions	77,843	–	79,644	–
Internal restrictions	7,676	–	3,243	–
Unrestricted	–	–	–	–
	<u>85,519</u>	<u>–</u>	<u>82,887</u>	<u>–</u>

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)

	14,300	–
External restrictions – included in liabilities	<u>14,300</u>	<u>–</u>

External restrictions – other

Developer contributions – general	2,575	3,136
Developer contributions – water fund	2,757	2,166
Developer contributions – sewer fund	7,538	6,514
Specific purpose unexpended grants (recognised as revenue) – general fund	268	25,052
Water supplies	18,243	16,165
Sewerage services	28,698	26,611
Domestic waste management	3,464	–
External restrictions – other	<u>63,543</u>	<u>79,644</u>

Total external restrictions

	<u>77,843</u>	<u>79,644</u>
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Internal restrictions

Plant and vehicle replacement	46	–
Infrastructure replacement	95	380
Employees leave entitlement	1,582	1,582
Brighter futures vehicle reserve	30	30
Childcare services (excl. ELE shown above)	901	527
Gravel pit operations	724	724
SV – Sportsground reserve	1,005	–
SV – Armco culvert restoration	445	–
Other	2,848	–
Total internal restrictions	<u>7,676</u>	<u>3,243</u>

TOTAL RESTRICTIONS

	<u>85,519</u>	<u>82,887</u>
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	3,079	—	2,239	—
Interest and extra charges	198	—	202	—
User charges and fees	2,962	—	1,577	—
Private works	2,196	—	763	—
Contributions to works	14	—	15	—
Net investment in finance lease	—	—	—	—
Children services	199	—	278	—
Deferred debtors	9	—	8	—
Government grants and subsidies *	7,523	—	688	—
Loans to sporting clubs	—	6	—	9
Net GST receivable	988	—	687	—
Total	17,168	6	6,457	9
Less: provision of impairment				
User charges and fees	(244)	—	(244)	—
Total provision for impairment – receivables	(244)	—	(244)	—
TOTAL NET RECEIVABLES	16,924	6	6,213	9

(*) includes a \$3.3 million prior period error corrected through the current year income statement

Externally restricted receivables

Water supply

– Rates and availability charges	—	—	138	—
– Other	1,338	—	602	—

Sewerage services

– Rates and availability charges	—	—	483	—
– Other	1,302	—	50	—

Total external restrictions	2,640	—	1,273	—
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Unrestricted receivables	14,284	6	4,940	9
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TOTAL NET RECEIVABLES	16,924	6	6,213	9
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\$ '000	2020	2019
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Movement in provision for impairment of receivables

Balance at the beginning of the year (calculated in accordance with AASB 139)	244	244
Balance at the end of the year	244	244

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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

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

Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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

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

Rates and annual charges outstanding are secured against the property.

Covid 19 & Bushfire Impacts

Council's rates and user charges collections have not been significantly impacted by either the Covid-19 Epidemic or the Black Summer Fires and are comparable to prior years, therefore no adjustment has been made to the impairment provision.

Cashflows and interest income will be impacted in 2020/21 due to the both the State Government legislating that rate instalments can be deferred to 30 September and no interest can be charge for the first six months and Council adopting a further six months of no interest to support its community through these trying times. Council is unable to measure the impact of the interest rate freeze, however it is not expected to be significant.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Inventories				
(i) Inventories at cost				
Stores and materials	572	–	462	–
Total inventories at cost	572	–	462	–
<u>TOTAL INVENTORIES</u>	<u>572</u>	<u>–</u>	<u>462</u>	<u>–</u>

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	572	–	462	–
TOTAL INVENTORIES AND OTHER ASSETS	572	–	462	–

(i) Other disclosures

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(Valued at the lower of cost and net realisable value)				
Movements:				
Real estate assets at beginning of the year	–	–	69	–
– Purchases and other costs	–	–	(69)	–
Total real estate for resale	–	–	–	–

(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;

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.

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(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	10,199	–	10,199	6,099	6,288	–	–	(6,855)	–	–	–	15,731	–	15,731
Plant and equipment	22,070	(10,335)	11,735	2,408	–	(655)	(1,549)	–	–	–	–	22,579	(10,640)	11,939
Office equipment	3,957	(3,589)	368	–	46	–	(72)	–	–	–	–	1,717	(1,375)	342
Land:														
– Operational land	45,440	–	45,440	–	–	(50)	–	–	–	–	–	45,390	–	45,390
– Community land	49,377	–	49,377	–	30	–	–	–	–	–	–	49,407	–	49,407
– Land under roads (post 30/6/08)	540	–	540	–	–	–	–	–	–	–	–	540	–	540
Infrastructure:														
– Buildings – specialised	83,463	(12,612)	70,851	284	3,782	(616)	(850)	1,425	–	(2,861)	–	87,078	(15,063)	72,015
– Roads	390,498	(218,533)	171,965	8,976	–	–	(9,482)	368	20,417	–	12,535	305,886	(101,107)	204,779
– Bridges	169,935	(86,709)	83,226	1,365	–	(435)	(2,003)	–	–	–	59,482	220,921	(79,286)	141,635
– Footpaths	8,592	(4,789)	3,803	1,078	–	–	(198)	–	–	–	10,503	19,889	(4,703)	15,186
– Bulk earthworks (non-depreciable)	138,012	–	138,012	509	–	–	–	–	–	–	35,718	174,239	–	174,239
– Stormwater drainage	37,247	(11,997)	25,250	102	–	–	(376)	–	–	–	28,000	74,148	(21,172)	52,976
– Water supply network	290,649	(122,552)	168,097	769	–	–	(3,610)	4,454	–	–	1,611	298,682	(127,361)	171,321
– Sewerage network	255,621	(110,294)	145,327	1,497	–	–	(3,984)	301	–	–	1,368	259,873	(115,364)	144,509
– Swimming pools	12,101	(8,390)	3,711	429	–	–	(190)	–	–	–	–	12,530	(8,580)	3,950
– Other open space/recreational assets	61,113	(25,028)	36,085	1,379	–	(1)	(1,251)	307	(1,600)	–	–	59,928	(25,009)	34,919
– Other infrastructure	27,110	(5,526)	21,584	627	–	–	(1,837)	–	(18,817)	–	–	5,753	(4,196)	1,557
Other assets:														
– Library books	2,047	(1,799)	248	–	–	–	(44)	–	–	–	–	2,047	(1,843)	204
Reinstatement, rehabilitation and restoration assets (refer Note 17):														
– Tip assets	5,467	(3,809)	1,658	–	–	–	–	–	–	–	–	5,467	(3,809)	1,658
Total Infrastructure, property, plant and equipment	1,613,438	(625,962)	987,476	25,522	10,146	(1,757)	(25,446)	–	–	(2,861)	149,217	1,661,805	(519,508)	1,142,297

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/18			Asset movements during the reporting period							as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	24,070	–	24,070	6,770	–	–	–	(20,641)	–	–	10,199	–	10,199
Plant and equipment	21,192	(11,014)	10,178	2,502	354	(1,066)	(1,437)	1,125	79	–	22,070	(10,335)	11,735
Office equipment	3,773	(3,464)	309	–	–	–	(90)	–	149	–	3,957	(3,589)	368
Land:													
– Operational land	43,341	–	43,341	–	–	(1,250)	–	–	(39)	3,388	45,440	–	45,440
– Community land	49,337	–	49,337	–	–	–	–	–	40	–	49,377	–	49,377
– Land under roads (post 30/6/08)	540	–	540	–	–	–	–	–	–	–	540	–	540
Infrastructure:													
– Buildings – specialised	64,864	(13,757)	51,107	–	–	–	(1,547)	–	–	21,291	83,463	(12,612)	70,851
– Roads	378,476	(203,865)	174,611	3,810	314	–	(7,688)	8,640	(7,722)	–	390,498	(218,533)	171,965
– Bridges	167,971	(84,798)	83,173	460	–	–	(1,912)	1,578	(73)	–	169,935	(86,709)	83,226
– Footpaths	8,592	(4,593)	3,999	–	–	–	(195)	–	(1)	–	8,592	(4,789)	3,803
– Bulk earthworks (non-depreciable)	136,984	–	136,984	–	–	–	–	197	831	–	138,012	–	138,012
– Stormwater drainage	37,230	(11,624)	25,606	–	–	–	(374)	–	18	–	37,247	(11,997)	25,250
– Water supply network	278,777	(115,033)	163,744	1,613	–	–	(3,505)	3,349	80	2,816	290,649	(122,552)	168,097
– Sewerage network	243,268	(104,109)	139,159	2,409	–	–	(3,753)	4,029	1,196	2,287	255,621	(110,294)	145,327
– Swimming pools	12,070	(8,677)	3,393	–	–	–	(214)	31	501	–	12,101	(8,390)	3,711
– Other open space/recreational assets	61,366	(30,911)	30,455	1,114	199	–	(1,330)	131	5,516	–	61,113	(25,028)	36,085
– Other infrastructure	24,053	(4,309)	19,744	1,510	–	–	(752)	1,561	(479)	–	27,110	(5,526)	21,584
Other assets:													
– Library books	2,047	(1,746)	301	–	–	–	(53)	–	–	–	2,047	(1,799)	248
Reinstatement, rehabilitation and restoration assets (refer Note 17):													
– Tip assets	5,467	(3,809)	1,658	–	–	–	–	–	–	–	5,467	(3,809)	1,658
Total Infrastructure, property, plant and equipment	1,563,418	(601,709)	961,709	20,188	867	(2,316)	(22,850)	–	96	29,782	1,613,438	(625,962)	987,476

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	25
Road pavements	60		
Kerb, gutter and footpaths	40		

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

Land under roads

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

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

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".

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

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

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	7,269	—	7,269	5,262	—	5,262
Plant and equipment	40	26	14	40	25	15
Land						
Infrastructure	298,682	127,361	171,321	290,649	122,552	168,097
Total water supply	305,991	127,387	178,604	295,951	122,577	173,374
Sewerage services						
WIP	5,903	—	5,903	2,139	—	2,139
Plant and equipment	2,066	1,587	479	2,066	1,400	666
Land						
— Operational land	2	—	2	13	—	13
Infrastructure	259,873	115,364	144,509	255,621	110,294	145,327
Total sewerage services	267,844	116,951	150,893	259,839	111,694	148,145
Domestic waste management						
Land						
Other assets	5,467	3,809	1,658	5,467	3,809	1,658
Total DWM	5,467	3,809	1,658	5,467	3,809	1,658
TOTAL RESTRICTED IPP&E	579,302	248,147	331,155	561,257	238,080	323,177

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities

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

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	12,361	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	1,939	—
Total grants received in advance		14,300	—
Total contract liabilities		14,300	—

Notes

(i) Council has received funding to construct assets including sporting facilities, bridges, library and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 24 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 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets			
Externally restricted assets			
Unspent grants held as contract liabilities (excl. Water & Sewer)		14,300	—
Contract liabilities relating to externally restricted assets		14,300	—
Total contract liabilities relating to restricted assets		14,300	—
Total contract liabilities		14,300	—

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

Grants and contributions received in advance:

Capital grants (to construct Council controlled assets)	2,224
Operating grants (received prior to performance obligation being satisfied)	5,326

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities (continued)

Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period

7,550

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Note 12. Leases

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

(i) Council as a lessee

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

Buildings

Council leases land and buildings for their corporate offices and other Rural Fire buildings.

Councils building leases are either of low value or are month to month tenancy.

Vehicles

Council leases vehicles and equipment with lease terms of 2 year; the lease payments are fixed during the lease term and there is generally no renewal option. These leases relate to the Recovery Rebuild and Resilience team that will operate for two years following the recent Bushfire Event.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 1 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

\$ '000

2020

(a) Income Statement

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

Expenses relating to short-term leases	6
Expenses relating to low-value leases	175

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

	181
\$ '000	2020

(b) Statement of Cash Flows

Total cash outflow for leases	181
	181

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:
Provide general indication of the use of the assets under a concessionary arrangement e.g.

- Lease of land for Rural Fire Service Stations

The leases require payments of a maximum amount of \$300 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

Accounting policy**Accounting policies under AASB 16 – applicable from 1 July 2019**

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

(ii) Council as a lessor

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

\$ '000	2020
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(c) Finance leases

Selling profit or loss	—
Finance income on the net investment in the lease	—
Income relating to variable lease payments not included in the measurement of the net investment in the lease	—
Other (enter details...)	—
Total Income relating to finance leases	—

(i) Maturity analysis of lease receivable

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

< 1 year	—
1–2 years	—
2–3 years	—
3–4 years	—
4–5 years	—
> 5 years	—
Total lease payments receivable	—

Unearned finance income	—
Discounted unguaranteed residual value	—
Net investment in the lease	—

Accounting policy

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	4,422	–	2,746	1
Accrued expenses:				
– Borrowings	226	–	181	–
– Salaries and wages	1,469	–	1,563	–
Security bonds, deposits and retentions	1,561	–	1,509	–
Prepaid rates	1,217	–	–	–
Total payables	8,895	–	5,999	1
Income received in advance (2019 only)				
Payments received in advance	–	–	842	–
Total income received in advance	–	–	842	–
Borrowings				
Loans – secured ¹	3,746	27,749	3,470	31,775
Finance lease liabilities (2019 only)	26	–	26	–
Total borrowings	3,772	27,749	3,496	31,775
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>12,667</u>	<u>27,749</u>	<u>10,337</u>	<u>31,776</u>

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

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	144	–	–	–
Sewer	441	16,774	190	17,717
Payables and borrowings relating to externally restricted assets	585	16,774	190	17,717
Total payables and borrowings relating to restricted assets	585	16,774	190	17,717
Total payables and borrowings relating to unrestricted assets	12,082	10,975	10,147	14,059
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>12,667</u>	<u>27,749</u>	<u>10,337</u>	<u>31,776</u>

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

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

(c) Changes in liabilities arising from financing activities

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

	as at 30/06/19	Non-cash changes				as at 30/06/20
\$ '000	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	35,245	(3,750)	–	–	–	31,495
Lease liabilities	26	(26)	–	–	–	–
TOTAL	35,271	(3,776)	–	–	–	31,495

	as at 30/06/18	Non-cash changes				as at 30/06/19
\$ '000	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	39,003	(3,758)	–	–	–	35,245
Lease liabilities	91	(65)	–	–	–	26
TOTAL	39,094	(3,823)	–	–	–	35,271

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

(d) Financing arrangements

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

Bank overdraft facilities ¹	–	300
Total financing arrangements	–	300

Undrawn facilities as at balance date:

– Bank overdraft facilities	–	300
Total undrawn financing arrangements	–	300

Additional financing arrangements information

Breaches and defaults

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

Security over loans

Council loans secured over future cash flows

Bank overdrafts

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

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

Accounting policy for payables and borrowings

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

Payables

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

Borrowings

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

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

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

Finance leases (2019 only)

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	3,803	–	2,888	–
Long service leave	4,799	336	3,992	267
Other leave	191	–	162	–
Sub-total – aggregate employee benefits	8,793	336	7,042	267
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	5,675	–	5,675
Sub-total – asset remediation/restoration	–	5,675	–	5,675
TOTAL PROVISIONS	8,793	6,011	7,042	5,942

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

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

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

Provisions – employees benefits	863	3,770
	863	3,770

(b) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2020				
At beginning of year	2,888	4,259	162	7,309
Other	915	876	29	1,820
Total ELE provisions at end of year	3,803	5,135	191	9,129
2019				
At beginning of year	2,616	3,966	137	6,719
Other	272	293	25	590
Total ELE provisions at end of year	2,888	4,259	162	7,309

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	5,675	5,675
Total other provisions at end of year	5,675	5,675
2019		
At beginning of year	5,675	5,675

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

\$ '000	Other provisions	
	Asset remediation	Total
Total other provisions at end of year	5,675	5,675

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Fair value through other comprehensive income reserve (FVOCI)

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

Other reserves

Council has additional internally restricted reserves. There are a number of these that are project based and others that are functional areas that Council restricts all profits to reserve.

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

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

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

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

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

Statement of Financial Position

(ii) AASB 15 and AASB 1058

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

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

Costs incurred in fulfilling customer contracts

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

Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

Licences

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

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

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

	Balance at 1 July 2019
\$ '000	

Opening contract balances at 1 July 2019**Contract assets**

– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–

Contract liabilities

– Under AASB 15	17,732
– Under AASB 1058	–
Total Contract liabilities	17,732

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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific-ation	Remeasur-ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	85,519	—	—	85,519	
Receivables	16,924	—	—	16,924	
Inventories	572	—	—	572	
Total current assets	103,015	—	—	103,015	
Current liabilities					
Payables	8,895	—	—	8,895	
Contract liabilities	14,300	—	(14,300)	—	
Borrowings	3,772	—	—	3,772	
Provisions	8,793	—	—	8,793	
Total current liabilities	35,760	—	(14,300)	21,460	
Non-current assets					
Receivables	6	—	—	6	
Infrastructure, property, plant and equipment	1,142,297	—	—	1,142,297	
Total non-current assets	1,142,303	—	—	1,142,303	
Non-current liabilities					
Borrowings	27,749	—	—	27,749	
Provisions	6,011	—	—	6,011	
Total Non-current liabilities	33,760	—	—	33,760	
Net assets	1,175,798	—	14,300	1,190,098	
Equity					
Accumulated surplus	602,198	—	—	602,198	
Revaluation reserves	573,600	—	—	573,600	
Council equity interest	1,175,798	—	—	1,175,798	
Total equity	1,175,798	—	—	1,175,798	

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassific-ation	Remeasur-ement	Income Statement and comprehensive income under previous revenue standards	Notes
Income from continuing operations					
Rates and annual charges	52,260	—	—	52,260	
User charges and fees	20,026	—	—	20,026	

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Other revenues	1,253	—	—	1,253	
Grants and contributions provided for operating purposes	29,316	—	(3,432)	25,884	
Grants and contributions provided for capital purposes	23,719	—	—	23,719	
Interest and investment income	2,097	—	—	2,097	
Total Income from continuing operations	128,671	—	(3,432)	125,239	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	37,263	—	—	37,263	
Borrowing costs	1,776	—	—	1,776	
Materials and contracts	31,338	—	—	31,338	
Depreciation and amortisation	25,446	—	—	25,446	
Other expenses	6,898	—	—	6,898	
Net losses from the disposal of assets	726	—	—	726	
Total Expenses from continuing operations	103,447	—	—	103,447	
Total Operating result from continuing operations	25,224	—	(3,432)	21,792	
Net operating result for the year	25,224	—	(3,432)	21,792	
Total comprehensive income	171,580	—	—	171,580	

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	—	—	—
Total assets	—	—	—
Contract liabilities	—	17,732	17,732
Total liabilities	—	17,732	17,732
Accumulated surplus	594,706	(17,732)	576,974
Total equity	—	(17,732)	(17,732)

(iii) AASB 16 Leases

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Council as a lessor

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

Adjustments to the current year figures for the year ended 30 June 2020**Statement of Financial Position**

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	—	—	—
Total assets	—	—	—
Payables – accrued interest on leases (30/6/2019)	—	—	—
Leases	—	—	—
Total liabilities	—	—	—
Accumulated surplus	—	—	—
Total equity	—	—	—

Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	85,519	82,887
Balance as per the Statement of Cash Flows		85,519	82,887

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

Net operating result from Income Statement	25,224	7,990
Adjust for non-cash items:		
Depreciation and amortisation	25,446	22,850
Net losses/(gains) on disposal of assets	726	(179)
Adoption of AASB 15/1058	(17,732)	—
Amortisation of premiums, discounts and prior period fair valuations		
– Interest on all fair value adjusted interest free advances made by Council	—	(4)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(10,707)	1,231
Decrease/(increase) in inventories	(110)	(55)
Increase/(decrease) in payables	1,675	627
Increase/(decrease) in accrued interest payable	45	(80)
Increase/(decrease) in other accrued expenses payable	(94)	124
Increase/(decrease) in other liabilities	427	101
Increase/(decrease) in contract liabilities	14,300	—
Increase/(decrease) in provision for employee benefits	1,820	590
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	41,020	33,195

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Commitments

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

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

Property, plant and equipment

Infrastructure	1,763	7,637
Total commitments	1,763	7,637

These expenditures are payable as follows:

Within the next year	1,763	7,637
Total payable	1,763	7,637

Sources for funding of capital commitments:

Unrestricted general funds	1,763	7,637
Total sources of funding	1,763	7,637

(b) Finance lease commitments (2019 only)

**(i) Commitments
under finance leases
at the reporting date
are payable as
follows:**

\$ '000	2020	2019
Within the next year	–	26
Total minimum lease payments	–	26
Amount recognised as a liability	–	26

(ii) Finance lease liability recognised represent:

\$ '000	2020	2019
Current liabilities	–	26
Total finance lease liabilities disclosed	–	26

(iii) General details

Council leases the following property, plant and equipment under finance leases:

	Term (years) 2020	Option to purchase 2020	Contingent rent clauses 2020	2020	2019
\$ '000					
Other equipment/assets	–	YES	YES	–	26

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Commitments (continued)

\$ '000	Term (years) 2020	Option to purchase 2020	Contingent rent clauses 2020	2020	2019
Total carrying value at period end				—	26

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

(c) 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	—	1
Later than one year and not later than 5 years	—	31
Total non-cancellable operating lease commitments	—	32

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

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

Conditions relating to finance and operating leases:

- All finance agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

Division B	1.9 times employee contributions for non-180 Point Members: Nil for 180 Point Members
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019.

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

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 \$ 339,344.11. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$230,360. Council's expected contribution to the plan for the next annual reporting period is \$294,907

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$396,600 as at 30 June 2020.

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

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

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

- Plus promotional increases
-

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Note 19. Financial risk management

Risk management

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	85,519	82,887	—	—
Receivables	16,930	6,222	—	—
Total financial assets	102,449	89,109	—	—
Financial liabilities				
Payables	8,895	6,000	—	—
Loans/advances	31,495	35,245	—	—
Total financial liabilities	40,390	41,245	—	—

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

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

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

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

The impact on 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

\$ '000	Increase of values/rates Profit Equity		Decrease of values/rates Profit Equity	
\$ '000	Increase of values/rates Profit Equity		Decrease of values/rates Profit Equity	
2020				
Possible impact of a 10% movement in market values	855	855	—	—
Possible impact of a 1% movement in interest rates	85	85	—	—
2019				
Possible impact of a 10% movement in market values	622	622	622	622
Possible impact of a 1% movement in interest rates	62	62	62	62

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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 – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	—	2,491	268	137	183	3,079
2019						
Gross carrying amount	1,529	216	130	93	271	2,239

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	10,844	350	664	129	2,108	14,095

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	—	—	—	—	—	—
2019						
Gross carrying amount	2,598	250	161	153	1,065	4,227
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	—	—	—	—	—	—

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	1,561	—	—	—	1,561	7,678
Loans and advances	0.00%	—	3,772	13,913	13,810	31,495	31,495
Lease liabilities	0.00%	—	—	—	—	—	26
Total financial liabilities		1,561	3,772	13,913	13,810	33,056	39,199
2019							
Trade/other payables	0.00%	1,509	—	—	—	1,509	6,000
Loans and advances	0.00%	—	3,750	14,644	16,851	35,245	35,245
Lease liabilities	0.00%	—	26	—	—	26	26
Total financial liabilities		1,509	3,776	14,644	16,851	36,780	41,271

Loan agreement breaches

Detail here any breaches to loan agreements which have occurred during the reporting year.

Note 20. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 17/07/2019 and is unaudited.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Material budget variations (continued)

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	50,752	52,260	1,508	3% F
User charges and fees	21,065	20,026	(1,039)	(5)% U
Other revenues	1,098	1,253	155	14% F
Council received higher than anticipated insurance income,				
Operating grants and contributions	16,217	29,316	13,099	81% F
Council has received higher than anticipated grants and contributions income - opportunity for funding become available throughout the year and are difficult to budget for them. Council also received an payment in advance for the Financial Assistance Grant.				
Additionally an amount of \$3,399 for flood damage repairs was included in income. This amount related to expenses in a previous period.				
Capital grants and contributions	61,364	23,719	(37,645)	(61)% U
Councils budget included anticipation of Capital grants and contributions that they were unsuccessful in being granted.				
Interest and investment revenue	1,532	2,097	565	37% F
Council has been conservative in calculating interest on investments.				
Net gains from disposal of assets	–	–	–	∞ F
EXPENSES				
Employee benefits and on-costs	36,679	37,263	(584)	(2)% U
Borrowing costs	1,731	1,776	(45)	(3)% U
Materials and contracts	28,132	31,338	(3,206)	(11)% U
This increase is related to the increase in operational grants and can be partly attributed to the response to Natural disasters within the Financial year.				
Depreciation and amortisation	21,500	25,446	(3,946)	(18)% U
Council had not anticipated the increase in depreciation following on from the revaluation of Buildings in the FY19				
Other expenses	9,596	6,898	2,698	28% F
Due to Covid Council was able to reduce costs in both Advertising and elected members expenses. The actual is comparable to previous years actuals.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
Net losses from disposal of assets	–	726	(726)	∞ U

STATEMENT OF CASH FLOWS

Cash flows from operating activities	75,404	41,020	(34,384)	(46)% U
Cash flows from investing activities	(78,920)	(34,638)	44,282	(56)% F
Cash flows from financing activities	(3,750)	(3,750)	–	0% F

Note 21. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

Natural Disasters and Impacts of COVID-19

Recent natural disasters and the impacts of COVID-19, have increased the likelihood that some items of property, plant and equipment (PPE) may have material movements in fair value as at 30 Jun 2020. The impact on PPE fair values will depend on the valuation approach used for an asset, i.e the market approach, income approach or cost approach.

- The cost approach is particularly suited to assets such as specialised buildings, specialised plant and infrastructure held for their service potential, and specialised or unique heritage assets where there are no observable market selling prices. The cost approach assumes fair value reflects the amount that would be required to replace the service capacity of the asset. No significant changes to the fair value are expected under the cost approach except where assets have been destroyed or damaged. Councils Roads (\$204,779k), Bridges (\$141,635k), Footpaths (\$15,186k), Bulk Earthworks (\$174,239k), Stormwater Drainage (\$52,976), Water Networks Assets (\$171,321k), Sewer Networks Assets (\$144,509k), Swimming Pools (\$3,950k), Open space assets (34,919K and other infrastructure (\$1,557k) are valued under the Cost approach.
- The market approach is mainly used for land and non-specialised buildings. Comparable transactions and market evidence from the outbreak to the relevant date of valuation are extremely limited. Our valuation was based on the information available to us as at the time of valuation. Whilst all reasonable steps were taken to estimate the effect on the properties, due to significant uncertainty in the property and capital markets and the rapid unfolding of these events, it is difficult to quantify and assess the impact that the outbreak had on market values. Councils Operational Land (\$45,390k) and Buildings (\$72,015k)
- Assets valued under the income approach are those predominantly to generate cash flows from the provision of goods and services. The recessionary environment created by COVID-19 may have significant impacts on demand for goods

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

and services. Valuation inputs that may be subject to significant changes and uncertainty include projected cash flows, risk free interest rates and risk margins. Councils has no items that are valued under the income approach.

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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Capital work in progress	30/06/2020	—	—	15,731	15,731
Plant and equipment		—	—	11,939	11,939
Land operational		—	45,390	—	45,390
Land community and land improvements		—	—	49,947	49,947
Buildings and other structures	30/06/2019	—	—	72,015	72,015
Roads (incl bridges footpaths and bulk earthworks)	30/06/2020	—	—	516,761	516,761
Stormwater drainage	30/06/2020	—	—	52,976	52,976
Water supply network	30/06/2017	—	—	171,321	171,321
Sewer network	30/06/2017	—	—	147,816	147,816
Recreational assets		—	—	38,869	38,869
Library books		—	—	204	204
Other infrastructure		—	—	20,634	20,634
Total infrastructure, property, plant and equipment		—	45,390	1,098,213	1,143,603

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Capital work in progress	30/6/2019	—	—	7,961	7,961
Plant and equipment		—	—	12,431	12,431
Land operational	30/6/2019	—	45,440	—	45,440
Land community and land improvements		—	—	49,877	49,877
Buildings and other structures	30/6/2019	—	—	70,851	70,851
Roads (incl bridges footpaths and bulk earthworks)		—	—	396,929	396,929
Stormwater drainage		—	—	25,250	25,250
Water supply network	30/6/2017	—	—	168,097	168,097
Sewer network	30/6/2017	—	—	145,327	145,327
Recreational assets		—	—	42,051	42,051
Library books		—	—	248	248
Other infrastructure		—	—	20,103	20,103
Total infrastructure, property, plant and equipment		—	45,440	939,125	984,565

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

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

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

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

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

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

Plant and equipment, and office equipment

Plant & equipment, and office equipment are valued at cost but are disclosed at fair value in the notes in accordance with the Code of Accounting practice. The carrying amounts of these assets is assumed to approximate fair value due to the nature of the items. The unobservable inputs for these items are the estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Operational land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The most recent valuation was 30 June 2019 carried out by APV valuers. The unobservable input is the reliance on estimates but was based on market values available. There has been no change to the valuation process during the reporting period.

Community land and land improvements

Community land and land improvements were last reviewed at 30 June 2011. This exercise was done in house using adjacent land value where available, or alternatively the unit rate average by the size of each parcel of land. These valuations are achieved through unobservable inputs and are reported in Level 3. Land improvements include assets such as landscaping and streetscaping. There has been no change to the valuation process during the reporting period.

Buildings and other structures

The most recent fair value for the Building asset class was 30 June 2019 and was carried out by APV Valuers. The method used was fair value (market-based measurement). It is categorised in Level 3 as although the fair value measurement was carried out by professional valuers, and based on market movement, it is still open to subjective assessment. There has been no change to the valuation process during the reporting period.

Other structures were valued in house using the replacement cost method, reviewing condition and remaining useful life. As these were subjective estimates using unobservable inputs, they are reported in Level 3. There has been no change in the valuation process during the reporting period.

Roads infrastructure

This asset class, including roads surface, substructure, earthworks kerb and gutter and footpaths was revalued for 30 June 2020. This roads revaluation was carried out by Shepherd Asset Management Solutions. As there are unobservable inputs (including condition and remaining useful life and residual values) this class has been reported in Level 3. There has been no change in the valuation process during the reporting period.

Stormwater drainage

This asset class was also revalued for 30 June 2020 using Shepherd Asset Management Solutions. As with roads infrastructure there are unobservable inputs (including condition, remaining useful life and residual values) and so has been reported in Level 3. There has been no change in the valuation process during the reporting period.

Water supply network and sewer network

The most recent valuation was carried out by APV Valuers for 30 June 2017.

The asset data for valuation was derived mainly from Council's asset management system and engineering drawings of facilities supplied by council. The report contains the summaries of fair values of major classes and subclasses of water supply and sewerage assets for reference rate index applied each year between full revaluation exercises.

As with previous asset classes there has been unobservable inputs (including condition, remaining useful life and residual values) and so has been reported in Level 3. There has been no change in the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

Recreational assets

This class of assets was revalued for 30 June 2011 by in-house professionals and so has also been categorised in Level 3 due to the unobservable inputs of estimated useful life, condition assessment and replacement values.

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

Library books

Library books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

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

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,114	1,319
Termination benefits	–	26
Total	1,114	1,345

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2020						
Supply of materials	1	16	–	Standard 30-day terms on invoice	–	–
2019						
Supply of materials	1	16	–	Standard 30-day terms on invoice	–	–

1 Council purchased materials from Eden Gas and Gear, a company which employees a KMP's daughter and son-in-law.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Events occurring after the reporting date

Bega Valley Shire Council is aware of the following 'non-adjusting events' that merit disclosure:

Floods - Council in July and again in August had additional Natural Disaster declared as flooding hit our already fragile environment. Council is eligible again for DRFA funding for essential public assets.

Council has some damage to public infrastructure that has been impaired, council is unable to reliably quantify this damage at this time.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			as at 30/06/20				
		Contributions received during the year						
	Opening Balance	Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
Roads	775	292	–	18	(756)	–	329	–
Open space	316	58	–	4	(306)	–	72	–
Community facilities	128	37	–	3	–	–	168	–
Other	96	21	–	2	(77)	–	42	–
Land acquisition	40	8	–	1	–	–	49	–
S7.11 contributions – under a plan	1,355	416	–	28	(1,139)	–	660	–
S7.12 levies – under a plan	619	248	–	15	–	–	882	–
Total S7.11 and S7.12 revenue under plans	1,974	664	–	43	(1,139)	–	1,542	–
S7.11 not under plans	1,162	18	–	23	(170)	–	1,033	–
S64 contributions	8,680	1,634	–	188	(207)	–	10,295	–
Total contributions	11,816	2,316	–	254	(1,516)	–	12,870	–

S7.11 Contributions – under a plan

Section 7.11 and 7.12 Contributions Plan 2014

Roads	775	292	—	18	(756)	—	329	—
Open space	316	58	—	4	(306)	—	72	—
Community facilities	128	37	—	3	—	—	168	—
Land acquisition	40	8	—	1	—	—	49	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Statement of developer contributions (continued)

	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Other	96	21	–	2	(77)	–	42	–
Total	1,355	416	–	28	(1,139)	–	660	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN

Other	619	248	–	15	–	–	882	–
Total	619	248	–	15	–	–	882	–

S7.11 Contributions – not under a plan

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

Parking	744	18	–	15	(170)	–	607	–
Public reserve acquisition	418	–	–	8	–	–	426	–
Total	1,162	18	–	23	(170)	–	1,033	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	32,775	3,609	15,876
User charges and fees	7,976	9,464	2,586
Interest and investment revenue	1,628	210	259
Other revenues	1,244	9	–
Grants and contributions provided for operating purposes	29,048	144	124
Grants and contributions provided for capital purposes	22,097	735	887
Total income from continuing operations	94,768	14,171	19,732
Expenses from continuing operations			
Employee benefits and on-costs	31,296	2,749	3,218
Borrowing costs	596	–	1,180
Materials and contracts	19,621	5,563	6,154
Depreciation and amortisation	17,665	3,611	4,170
Other expenses	5,316	755	827
Net losses from the disposal of assets	726	–	–
Total expenses from continuing operations	75,220	12,678	15,549
Operating result from continuing operations	19,548	1,493	4,183
Net operating result for the year	19,548	1,493	4,183
Net operating result attributable to each council fund	19,548	1,493	4,183
Net operating result for the year before grants and contributions provided for capital purposes	(2,549)	758	3,296

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.

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	85,519	–	–
Investments	(57,236)	21,000	36,236
Receivables	14,284	1,338	1,302
Inventories	572	–	–
Non-current assets classified as 'held for sale'	(2,044)	2,044	–
Total current assets	41,095	24,382	37,538
Non-current assets			
Receivables	6	–	–
Infrastructure, property, plant and equipment	821,866	171,336	149,095
Total non-current assets	821,872	171,336	149,095

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
TOTAL ASSETS	862,967	195,718	186,633
LIABILITIES			
Current liabilities			
Payables	8,310	144	441
Contract liabilities	14,300	—	—
Borrowings	3,772	—	—
Provisions	8,793	—	—
Total current liabilities	35,175	144	441
Non-current liabilities			
Borrowings	10,975	—	16,774
Provisions	6,011	—	—
Total non-current liabilities	16,986	—	16,774
TOTAL LIABILITIES	52,161	144	17,215
Net assets	810,806	195,574	169,418
EQUITY			
Accumulated surplus	398,292	107,240	96,666
Revaluation reserves	412,514	88,334	72,752
Council equity interest	810,806	195,574	169,418
Total equity	810,806	195,574	169,418

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

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

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods 2019	2018	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2,231	2.13%	(9.93)%	1.00%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	104,952				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	75,636	58.78%	66.82%	69.68%	>60.00%
Total continuing operating revenue ¹	128,671				
3. Unrestricted current ratio					
Current assets less all external restrictions	22,532	1.13x	0.64x	2.00x	>1.50x
Current liabilities less specific purpose liabilities	20,012				
4. Debt service cover ratio					

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	29,453	5.33x	2.75x	4.84x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,526				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	3,277	5.96%	4.61%	3.99%	<10.00%
Rates, annual and extra charges collectible	54,950				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	85,519	12.14 mths	12.22 mths	13.04 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	7,043				

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(2.51)%	(23.55)%	5.64%	15.51%	17.49%	17.46%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	46.03%	55.15%	93.80%	91.86%	94.88%	95.15%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.02x	0.64x	169.32x	∞	85.12x	177.15x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3.78x	0.43x	∞	∞	7.33x	7.35x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	9.24%	7.08%	0.00%	0.00%	0.00%	0.00%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.14	12.22	∞	∞	∞	∞	>3.00
Payments from cash flow of operating and financing activities	mths	mths					mths

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

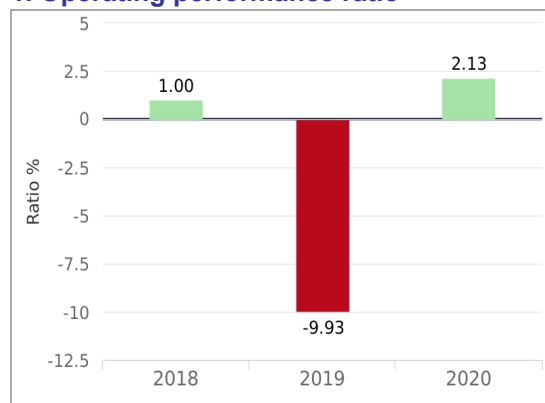
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2020

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio 2.13%

Council's ratio improvement has resulted from an increase in operating grants including \$3.4 million from DRFA funding for previous periods.

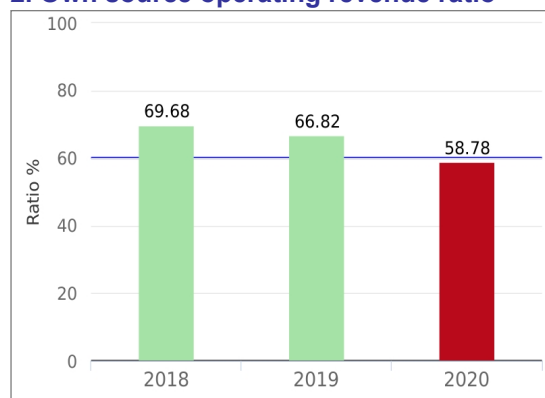
Benchmark: — > 0.00%

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 58.78%

This ratio is below the benchmark and is a result of disaster payments from previous periods and disaster funding for fire and floods in the current year. Council would expect this ratio to remain below the benchmark for the next three years as it works to restore its damaged infrastructure under Disaster Recovery Funding.

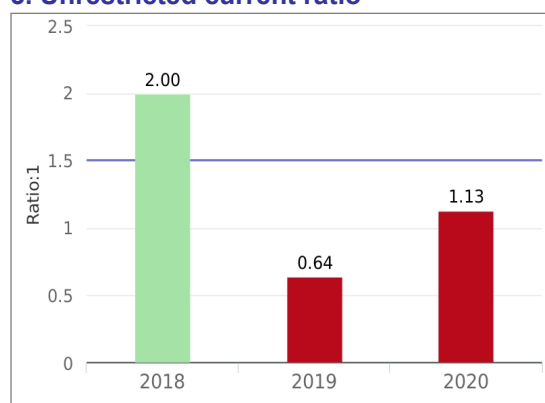
Benchmark: — > 60.00%

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 1.13x

This ratio has improved from previous period. Council would expect to see this ratio continue to improve.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

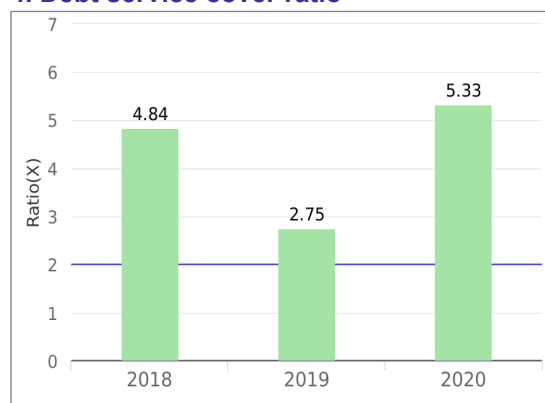
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 5.33x

This ratio is well above the benchmark and presents an opportunity for Council to investigate further loan funding if required.

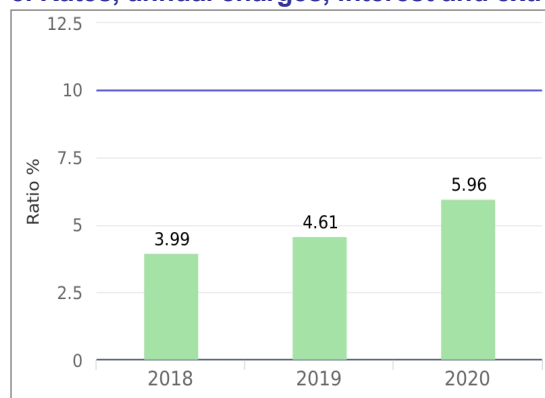
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 5.96%

The impact on Covid-19 on debt recovery has impacted this ratio marginally, but the trend has been slight increases. Council has provided interest free on rates outstanding till 30 June 2021, that may have an impact and this ratio could rise.

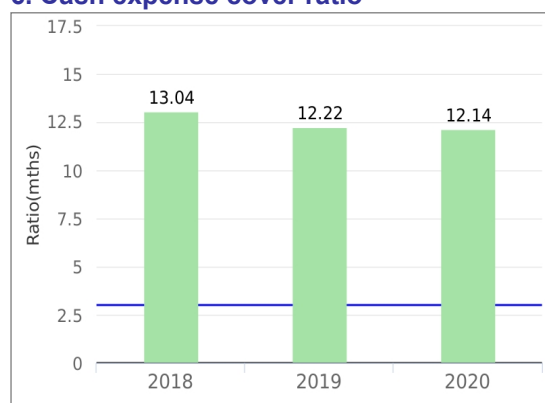
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 12.14 mths

Councils cash expense ratio remains steady and above the benchmark.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Financial review

Note 27. Financial review

Review and commentary on Council's financial result

Review and commentary on Council's financial result

Review and commentary on Council's financial position

Review and commentary on Council's cash flows

Note 28. Council information and contact details

Principal place of business:

Zingel Place
BEGA nsw 2550

Contact details

Mailing Address:

PO Box 492
BEGA NSW 2550

Telephone: 02 6499 2222

Facsimile: 02 6499 2200

Opening hours:

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

Internet: www.begavalley.gov.au

Email: council@council.nsw.gov.au

Officers

General Manager

Leanne Barnes

Responsible Accounting Officer

Judith Jordan

Elected members

Mayor

Cr. Russell Fitzpatrick

Councillors

Cr. Sharon Tapscott (Deputy Mayor)

Cr. Tony Allen

Cr. Robyn Bain

Cr. Jo Dodds

Cr. Russell Fitzpatrick

Cr. Cathy Griff

Cr. Mitchell Nadin

Cr. Liz Seckold

Other information

ABN: 26 987 935 332



INDEPENDENT AUDITOR'S REPORT

Report on the General Purpose Financial Statements

Bega Valley Shire Council

To the Councillors of Bega Valley Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Dominika Ryan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 November 2020
SYDNEY

Mr Russell Fitzpatrick
Mayor
Bega Valley Shire Council
PO Box 492
BEGA NSW 2550

Contact: Dominika Ryan
Phone no: 02 9275 7336
Our ref: D2028046/1690

30 November 2020

Dear Mayor

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





I have audited the general purpose financial statements (GPFS) of the Bega Valley 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	2019*	Variance
	\$m	\$m	%
Rates and annual charges revenue	52.3	50.5	 3.6
Grants and contributions revenue	53.0	36.0	 47.2
Operating result from continuing operations	25.2	8.0	 215
Net operating result before capital grants and contributions	1.5	(8.9)	 116.9

Rates and annual charges revenue (\$52.3 million) increased by \$1.8 million (3.6 per cent) in 2019–20. This was due to the IPART annual rate increase of 2.7 per cent and an increase in rateable properties.

Grants and contributions revenue (\$53.0 million) increased by \$17.0 million (47.3 per cent) in 2019–20 due to the following:

- \$3.4 million increase in funding for transport (other roads and bridges)
- \$4.1 million increase in grant for community care
- \$2.1 million increase in grant for recreation and culture
- \$6.5 million increase in grant for waste and other cash contribution.

The Council's operating result from continuing operations (including depreciation and amortisation expense of \$25.4 million) was \$17.2 million higher than the 2018–19 result. This was mainly a result of the significant increase in revenue by \$20 million.

The net operating result before capital grants and contributions (\$1.5 million) was \$10.4 million higher than the 2018–19 result.

STATEMENT OF CASH FLOWS

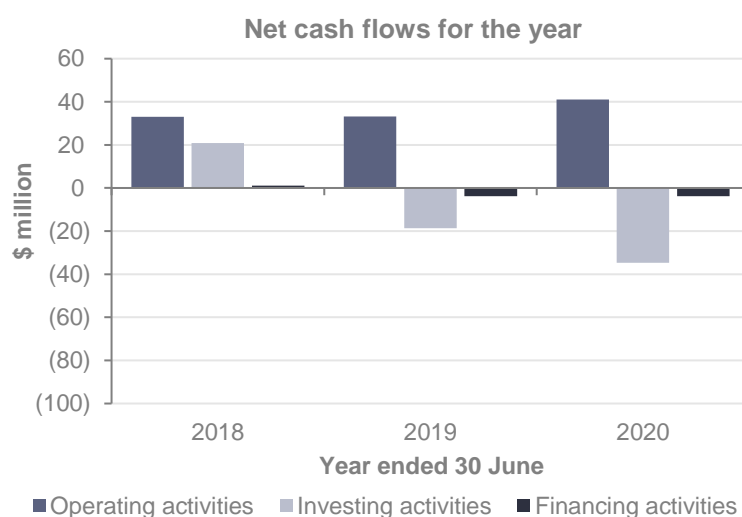
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The Council's cash increased by \$2.6 million, from \$82.9 million to \$85.5 million in 2018-2019 and 2019-2020 respectively.

Cash inflows from operating activities increased from \$33.2 million in 2018-19 to \$41.0 million in 2019-20 primarily due to the higher receipts from grants and contributions and others.

The cash outflows from investing activities increased from \$18.7 million in 2018-19 to \$34.6 million in 2019-20. This is primarily due to higher spending on infrastructure, property, plant and equipment.

Cash outflow from financing activities has decreased slightly by \$73,000.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	77.8	79.6	• External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, levies and planning agreements.
Internal restrictions	7.7	3.2	
Unrestricted	-	-	
Cash and investments	85.5	82.8	• Balances are internally restricted due to Council policy or decisions for forward plans including works program.

- Unrestricted balances provide liquidity for day-to-day operations.
- Internally restricted cash and investments have increased by \$4.5 million primarily due to special variations for sportsground and culvert restoration and increase in other internal restrictions worth \$2.8 million.

PERFORMANCE

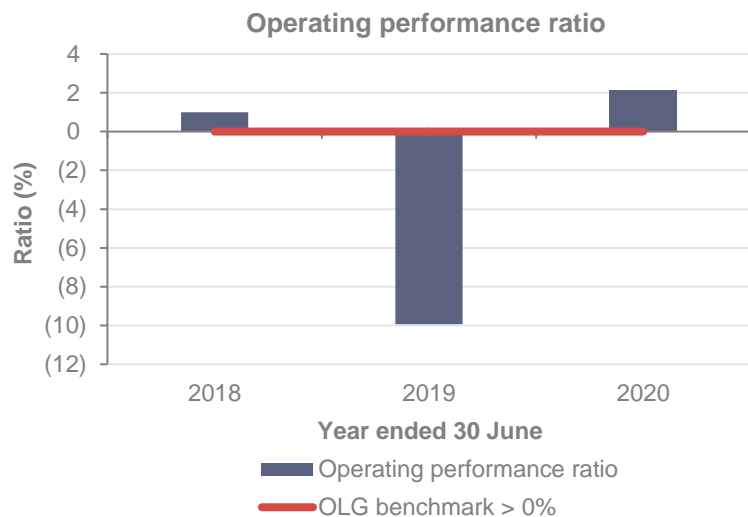
Performance measures

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

Operating performance ratio

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

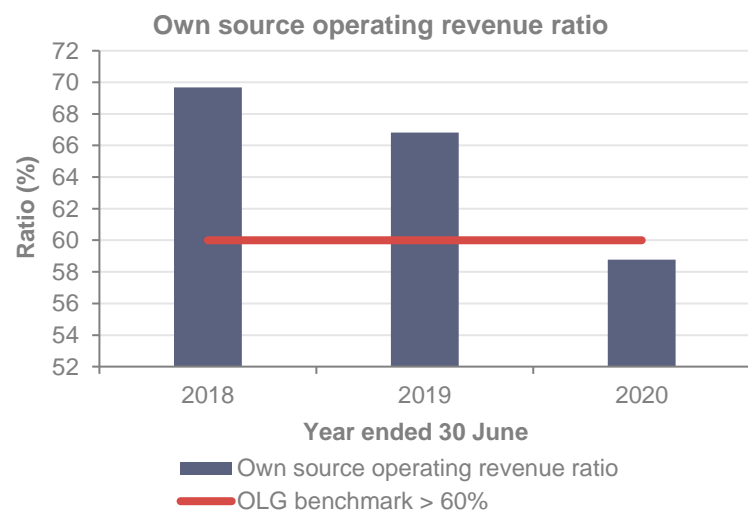
The Council's 2019-20 ratio exceeded the OLG benchmark. The improvement was the result of higher operating grants and contributions in the current year.



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.

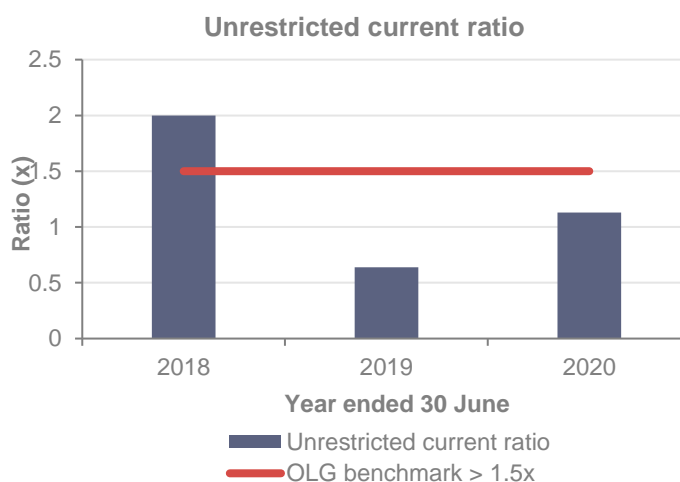
The Council's ratio of 58.8 ratio is below the benchmark and is lower due to disaster payments from previous periods and disaster funding for fire and floods in the current year.



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.

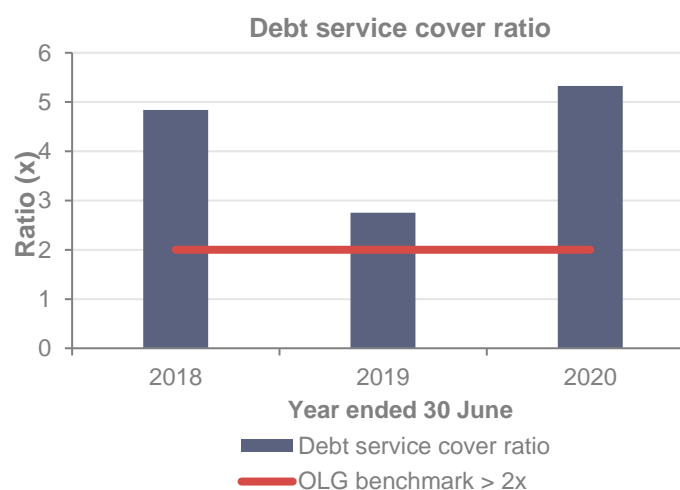
The Council's ratio did not meet the OLG benchmark for the second year in a row, however, has improved from the prior period.



Debt service cover ratio

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

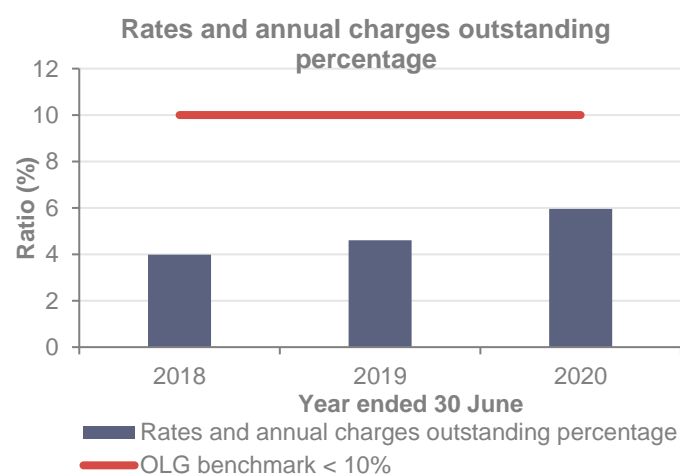
The Council exceeded the OLG benchmark for the current reporting period.



Rates and annual charges outstanding percentage

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

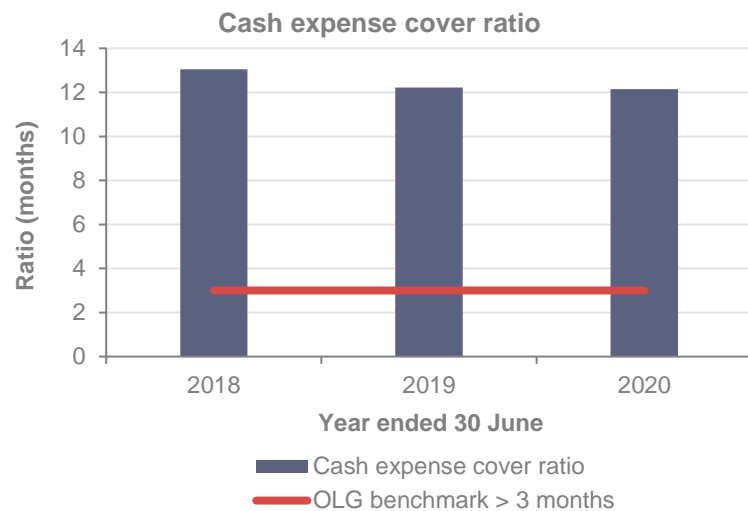
The Council met the OLG benchmark for the current reporting period.



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.



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 \$17.7 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

AASB 16 'Leases'

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

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

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

The Council did not recognise any right-of-use assets and lease liabilities at 1 July 2019 on adoption of AASB 16.

Legislative compliance

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

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

The Council's:

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



Dominika Ryan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Ms Leanne Barnes, General Manager
Mr Terry Bunn, Chair of the Audit, Risk and Improvement Committee
Ms Iliada Bolton, Director Business and Governance

Bega Valley Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



Special Purpose Financial Statements

for the year ended 30 June 2020

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

Background

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

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

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

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

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

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 07 October 2020.



Cr. Russell Fitzpatrick

Mayor

30 November 2020



Cr. Liz Seckold

Deputy Mayor

30 November 2020



Leanne Barnes

General Manager

30 November 2020



Judith Jordan

Responsible Accounting Officer

30 November 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	3,609	3,287
User charges	9,016	8,088
Fees	448	367
Interest	210	526
Grants and contributions provided for non-capital purposes	144	146
Other income	9	20
Total income from continuing operations	13,436	12,434
Expenses from continuing operations		
Employee benefits and on-costs	2,749	2,578
Materials and contracts	5,563	3,999
Depreciation, amortisation and impairment	3,611	3,497
Other expenses	755	431
Total expenses from continuing operations	12,678	10,505
Surplus (deficit) from continuing operations before capital amounts	758	1,929
Grants and contributions provided for capital purposes	735	943
Surplus (deficit) from continuing operations after capital amounts	1,493	2,872
Surplus (deficit) from all operations before tax	1,493	2,872
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(208)	(530)
SURPLUS (DEFICIT) AFTER TAX	1,285	2,342
Plus accumulated surplus	105,748	102,876
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	207	530
Less:		
Closing accumulated surplus	107,240	105,748
Return on capital %	0.4%	1.1%
Subsidy from Council	750	360
Calculation of dividend payable:		
Surplus (deficit) after tax	1,285	2,342
Less: capital grants and contributions (excluding developer contributions)	12	(128)
Surplus for dividend calculation purposes	1,297	2,214
Potential dividend calculated from surplus	648	1,107

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	15,876	15,217
User charges	2,518	2,194
Fees	68	103
Interest	259	938
Grants and contributions provided for non-capital purposes	124	126
Total income from continuing operations	18,845	18,578
Expenses from continuing operations		
Employee benefits and on-costs	3,218	3,251
Borrowing costs	1,180	1,115
Materials and contracts	6,154	6,475
Depreciation, amortisation and impairment	4,170	3,842
Other expenses	827	652
Total expenses from continuing operations	15,549	15,335
Surplus (deficit) from continuing operations before capital amounts	3,296	3,243
Grants and contributions provided for capital purposes	887	815
Surplus (deficit) from continuing operations after capital amounts	4,183	4,058
Surplus (deficit) from all operations before tax	4,183	4,058
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(907)	(892)
SURPLUS (DEFICIT) AFTER TAX	3,276	3,166
Plus accumulated surplus	92,484	88,280
Plus/less: prior period adjustments	–	146
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	906	892
Less:		
Closing accumulated surplus	96,666	92,484
Return on capital %	3.0%	2.9%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	3,276	3,166
Less: capital grants and contributions (excluding developer contributions)	–	108
Surplus for dividend calculation purposes	3,276	3,274
Potential dividend calculated from surplus	1,638	1,637

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Investments	21,000	18,331
Receivables	1,338	740
Non-current assets classified as held for sale	2,044	—
Total current assets	24,382	19,071
Non-current assets		
Infrastructure, property, plant and equipment	171,336	173,401
Total non-current assets	171,336	173,401
TOTAL ASSETS	195,718	192,472
LIABILITIES		
Current liabilities		
Payables	144	—
Total current liabilities	144	—
TOTAL LIABILITIES	144	—
NET ASSETS	195,574	192,472
EQUITY		
Accumulated surplus	107,240	105,748
Revaluation reserves	88,334	86,724
TOTAL EQUITY	195,574	192,472

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Investments	36,236	33,125
Receivables	1,302	533
Total current assets	37,538	33,658
Non-current assets		
Infrastructure, property, plant and equipment	149,095	148,128
Total non-current assets	149,095	148,128
TOTAL ASSETS	186,633	181,786
LIABILITIES		
Current liabilities		
Payables	441	190
Total current liabilities	441	190
Non-current liabilities		
Borrowings	16,774	17,717
Total non-current liabilities	16,774	17,717
TOTAL LIABILITIES	17,215	17,907
NET ASSETS	169,418	163,879
EQUITY		
Accumulated surplus	96,666	92,484
Revaluation reserves	72,752	71,395
TOTAL EQUITY	169,418	163,879

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

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water Supply

Comprising the operations and net assets of Council's water supply activities that services the Bega Valley Shire.

b. Sewerage Services

Comprising the operations and net assets of Council's sewerage reticulation and treatment activities that services the Bega Valley Shire.

Category 2

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

Nil

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 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

Bega Valley Shire Council

To the Councillors of Bega Valley Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in cursive script, appearing to read 'D Ryan'.

Dominika Ryan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 November 2020
SYDNEY

Bega Valley Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	24,305	23,686
Plus or minus adjustments ²	b	225	67
Notional general income	c = a + b	24,530	23,753
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	638	641
Sub-total	k = (c + g + h + i + j)	25,168	24,394
Plus (or minus) last year's carry forward total	l	139	50
Sub-total	n = (l + m)	139	50
Total permissible income	o = k + n	25,307	24,444
Less notional general income yield	p	25,186	24,305
Catch-up or (excess) result	q = o - p	121	139
Carry forward to next year ⁶	t = q + r + s	121	139

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

Bega Valley Shire Council

To the Councillors of Bega Valley Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the General Purpose Financial Statements and the Special Purpose Financial Statements.

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in cursive script, reading 'D. Ryan'.

Dominika Ryan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 November 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost	to bring to the	2019/20	2019/20	Net carrying	Gross	Assets in condition as a percentage of								
		to bring assets	agreed level of					Required	Actual	amount	replacement	gross replacement cost				
		to satisfactory	service set by					maintenance ^a	maintenance			cost (GRC)	1	2	3	4
		standard	Council													
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000									
(a) Report on Infrastructure Assets - Values																
Buildings	Buildings	58	58	617	541	72,015	87,078	7.0%	14.0%	29.0%	17.0%	33.0%				
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%				
	Sub-total	58	58	617	541	72,015	87,078	7.0%	14.0%	29.0%	17.0%	33.0%				
Other structures	Other structures	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%				
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%				
	Sub-total	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%				
Roads	Sealed roads Surface	2,267	2,267	4,348	4,195	20,101	38,494	66.2%	13.3%	14.6%	2.1%	3.7%				
	Sealed roads Pavement	14,387	14,387	—	—	110,437	161,337	52.2%	28.0%	10.9%	1.3%	7.7%				
	Unsealed roads	76	76	2,339	2,382	13,781	16,792	49.7%	25.3%	24.6%	0.2%	0.3%				
	Bridges	848	848	410	392	141,635	220,921	23.2%	58.5%	14.5%	3.0%	0.9%				
	Footpaths	558	558	112	206	15,187	19,889	62.7%	34.0%	0.5%	0.1%	2.7%				
	Kerb & Gutter	2,355	2,355	—	30	26,071	41,221	43.9%	29.0%	21.4%	2.7%	3.1%				
	Other road assets	—	—	658	391	14,954	23,902	0.0%	18.0%	82.0%	0.0%	0.0%				
	Bulk earthworks	—	—	—	—	176,323	176,323	100.0%	0.0%	0.0%	0.0%	0.0%				
	Airport	—	—	612	663	7,812	10,573	71.7%	12.3%	16.0%	0.0%	(0.0%)				
	Other	—	—	—	—	9,538	—	0.0%	100.0%	0.0%	0.0%	0.0%				
	Sub-total	20,491	20,491	8,479	8,259	535,839	709,452	54.1%	29.3%	12.6%	1.5%	2.5%				
Water supply network	Water supply network	—	—	3,939	4,219	171,321	298,682	20.0%	60.0%	13.0%	7.0%	0.0%				
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%				
	Sub-total	—	—	3,939	4,219	171,321	298,682	20.0%	60.0%	13.0%	7.0%	0.0%				
Sewerage network	Sewerage network	—	—	5,988	6,147	144,509	259,873	44.0%	29.0%	19.0%	7.0%	1.0%				
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%				
	Sub-total	—	—	5,988	6,147	144,509	259,873	44.0%	29.0%	19.0%	7.0%	1.0%				
Stormwater drainage	Stormwater drainage	3,315	3,315	256	270	52,976	74,148	39.7%	49.1%	6.8%	0.8%	3.6%				
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%				
	Sub-total	3,315	3,315	256	270	52,976	74,148	39.7%	49.1%	6.8%	0.8%	3.6%				

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring the agreed level of service set by Council	2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Open space / recreational assets	Swimming pools	3,136	3,136	1,475	320	3,950	12,530	0.0%	0.0%	0.0%	0.0%	100.0%
	Other Open Space/Recreation	1,347	1,347	2,691	1,126	34,919	53,867	12.6%	17.9%	48.9%	18.6%	2.1%
	Sub-total	4,483	4,483	4,166	1,446	38,869	66,397	10.2%	14.5%	39.6%	15.0%	20.6%
Other infrastructure assets	Saleyards	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	—	—	921	3,022	1,557	5,753	60.0%	20.0%	20.0%	0.0%	0.0%
	Sub-total	—	—	921	3,022	1,557	5,753	60.0%	20.0%	20.0%	0.0%	0.0%
TOTAL - ALL ASSETS		28,347	28,347	24,366	23,904	1,017,086	1,501,383	40.2%	34.8%	15.7%	5.0%	4.3%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	25,522	107.32%	94.91%	0.00%	>=100.00%
Depreciation, amortisation and impairment	23,781				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	28,347	2.79%	1.16%	0.15%	<2.00%
Net carrying amount of infrastructure assets	1,017,086				
Asset maintenance ratio					
Actual asset maintenance	23,904	98.10%	80.01%	80.60%	>100.00%
Required asset maintenance	24,366				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	28,347	1.89%	0.81%	0.00%	
Gross replacement cost	1,501,383				

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

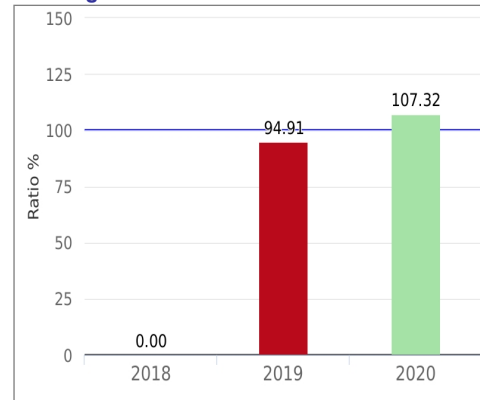
(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

19/20 ratio 107.32%

Council has undertaken a number of renewals that have been generously funded through grants.

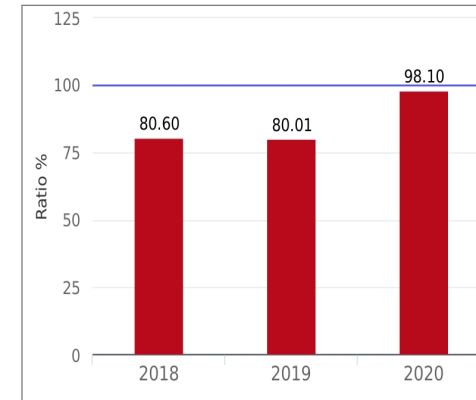
Benchmark: — $\geq 100.00\%$

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 98.10%

Council's asset maintenance ratio has improved.

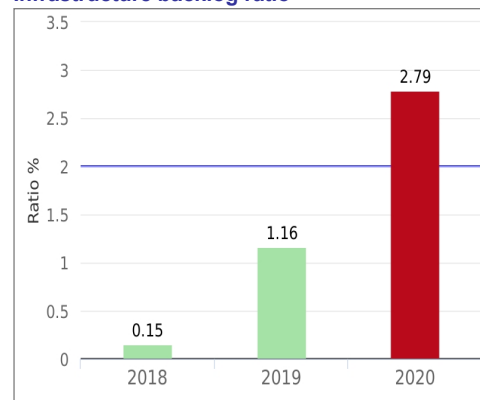
Benchmark: — $> 100.00\%$

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 2.79%

The increase in the backlog ratio is due to a change in the methodology applied to Council's backlog.

Council had previously reported on a variation of the Office of Local Government methodology that excluded assets that were considered low risk following detailed risk assessment and other renewals that Council had included in its current budget.

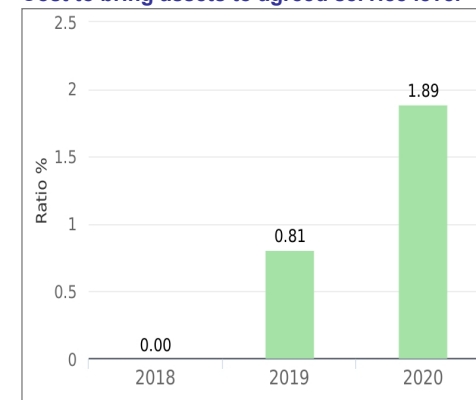
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

19/20 ratio 1.89%

The increase in the cost to bring to agreed service level is due to a change in the methodology applied to Council's backlog.

Council had previously reported on a variation of the Office of Local Government methodology that excluded assets that were considered low risk following detailed risk assessment and other renewals that Council had included in its current budget.

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²	143.67%	115.37%	21.30%	46.02%	37.58%	64.19%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	4.04%	1.81%	0.00%	0.00%	0.00%	0.00%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	93.76%	100.00%	107.11%	60.13%	102.66%	68.81%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	3.01%	1.32%	0.00%	0.00%	0.00%	0.00%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

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