

Wentworth Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

Wentworth 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

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

26-28 Adelaide Street
Wentworth NSW 2648

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.wentworth.nsw.gov.au.

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

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 21 October 2020.



Melisa Hederics
Mayor
21 October 2020



Tim Elstone
Councillor
21 October 2020



Ken Ross
General Manager
21 October 2020



Simon Rule
Responsible Accounting Officer
21 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020 \$ '000		Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
Income from continuing operations				
8,664	Rates and annual charges	3a	8,822	8,635
4,910	User charges and fees	3b	7,798	5,422
1,258	Other revenues	3c	977	1,118
9,024	Grants and contributions provided for operating purposes	3d,3e	10,307	9,713
7,398	Grants and contributions provided for capital purposes	3d,3e	8,300	6,544
735	Interest and investment income	4	586	886
100	Net gains from the disposal of assets	6	80	215
–	Rental income	13	51	–
–	Net share of interests in joint ventures and associates using the equity method	18	–	1,461
32,089	Total income from continuing operations		36,921	33,994
Expenses from continuing operations				
8,853	Employee benefits and on-costs	5a	8,790	9,280
245	Borrowing costs	5b	206	216
4,473	Materials and contracts	5c	7,859	5,464
7,064	Depreciation and amortisation	5d	8,941	8,956
3,251	Other expenses	5e	3,388	3,618
–	Net share of interests in joint ventures and associates using the equity method	18	102	–
23,886	Total expenses from continuing operations		29,286	27,534
8,203	Operating result from continuing operations		7,635	6,460
8,203	Net operating result for the year		7,635	6,460
–	Net operating result attributable to council		7,635	6,460
–	Net operating result for the year before grants and contributions provided for capital purposes		(665)	(84)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
Net operating result for the year (as per Income Statement)		7,635	6,460
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	8,793	1,523
Total items which will not be reclassified subsequently to the operating result		8,793	1,523
Total other comprehensive income for the year		8,793	1,523
Total comprehensive income for the year		16,428	7,983
 Total comprehensive income attributable to Council		 16,428	 7,983

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

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

Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	10,413	6,327
Investments	7(b)	18,005	24,000
Receivables	8	5,546	3,456
Inventories	9a	202	207
Other	9b	213	156
Total current assets		34,379	34,146
Non-current assets			
Infrastructure, property, plant and equipment	10(a)	442,194	422,775
Intangible Assets	11	184	184
Investments accounted for using the equity method	18	1,359	1,461
Total non-current assets		443,737	424,420
Total assets		478,116	458,566
LIABILITIES			
Current liabilities			
Payables	14	3,578	1,537
Income received in advance	14	—	487
Contract liabilities	12	1,056	—
Borrowings	14	262	247
Provisions	15	2,212	2,110
Total current liabilities		7,108	4,381
Non-current liabilities			
Borrowings	14	4,032	4,292
Provisions	15	2,720	1,504
Total non-current liabilities		6,752	5,796
Total liabilities		13,860	10,177
Net assets		464,256	448,389
EQUITY			
Accumulated surplus	16	70,072	62,998
Revaluation reserves	16	394,184	385,391
Council equity interest		464,256	448,389
Total equity		464,256	448,389

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance		62,998	385,391	448,389	56,538	383,868	440,406
Changes due to AASB 1058 and AASB 15 adoption	16	(561)	–	(561)	–	–	–
Restated opening balance		62,437	385,391	447,828	56,538	383,868	440,406
Net operating result for the year		7,635	–	7,635	6,460	–	6,460
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	8,793	8,793	–	1,523	1,523
Other comprehensive income		–	8,793	8,793	–	1,523	1,523
Total comprehensive income		7,635	8,793	16,428	6,460	1,523	7,983
Equity – balance at end of the reporting period		70,072	394,184	464,256	62,998	385,391	448,389

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020 \$ '000		Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
Cash flows from operating activities				
<i>Receipts:</i>				
8,637	Rates and annual charges		8,699	8,523
5,345	User charges and fees		7,421	8,517
743	Investment and interest revenue received		707	776
16,708	Grants and contributions		15,946	13,143
1,088	Other		2,684	2,316
<i>Payments:</i>				
(8,612)	Employee benefits and on-costs		(8,642)	(9,978)
(4,196)	Materials and contracts		(9,415)	(6,027)
(241)	Borrowing costs		(206)	(216)
(3,131)	Other		(3,426)	(3,920)
16,341	Net cash provided (or used in) operating activities	17b	13,768	13,134
Cash flows from investing activities				
<i>Receipts:</i>				
1,412	Sale of investment securities		75,000	63,000
450	Sale of infrastructure, property, plant and equipment		279	440
<i>Payments:</i>				
–	Purchase of investment securities		(69,005)	(63,687)
(20,774)	Purchase of infrastructure, property, plant and equipment		(15,711)	(11,288)
(18,912)	Net cash provided (or used in) investing activities		(9,437)	(11,535)
Cash flows from financing activities				
<i>Receipts:</i>				
3,150	Proceeds from borrowings and advances		–	–
<i>Payments:</i>				
(398)	Repayment of borrowings and advances		(245)	(240)
2,752	Net cash flow provided (used in) financing activities		(245)	(240)
181	Net increase/(decrease) in cash and cash equivalents		4,086	1,359
6,327	Plus: cash and cash equivalents – beginning of year	17a	6,327	4,968
6,508	Cash and cash equivalents – end of the year	17a	10,413	6,327
24,000	plus: Investments on hand – end of year	7(b)	18,005	24,000
30,508	Total cash, cash equivalents and investments		28,418	30,327

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 21 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 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.

Coronavirus (COVID-19) impact

Covid-19 and even more so the associated government measures to slow the spread of the virus have had a significant impact on global and local economies and across communities and individuals.

Council has not been isolated from the direct and indirect effects of Covid-19 and has therefore had to react to the impacts of Covid-19 during the 2019/20 financial year and consider the impacts of Covid-19 in preparing these financial statements.

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

- Impairment of financial and non-financial assets
- Potential provisions of onerous contracts and future rehabilitation works
- Financial liabilities as a result of breach of existing contracts
- Fair value assessment of non-financial assets
- Income and revenue
- Covid-19 stimulus packages
- Employee Benefit Provisions
- Going concern
- Capital Commitments

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

Based on the analysis performed, Council did not find any material adjustments required to be done as a result of the pandemic.

Even though the pandemic had a widespread effect on slowing down the economy around the world, as at 30 June 2020 it is hard to predict any significant future implications on Council's business. Council business operations remain on the same pattern. Overall the financial impact has not been significant and is not anticipated to increase in future years.

Council is not aware of any post balance events which would result in separate disclosures or adjustments to the 30 June 2020 financial results. Hence, 30 June 2020 financial statements were prepared on a going concern basis.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated tip remediation provisions – refer Note 15
- (iii) employee benefit provisions – refer Note 15

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

- (ii) Tip Remediation Provisions

Council has used significant judgement in determining future Tip Remediation Provisions - refer Note 15

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council does not rely on volunteer services. Council has not recognised any volunteer services in the income statement as

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

the value is immaterial, cannot be reliably measured and the services would not be purchased if not donated.

New accounting standards and interpretations issued not yet effective

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

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

AASB 1059 Service Concession Arrangements: Grantors

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

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

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

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

A control approach is used to assesses 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 don't generally enter into service concession arrangement.

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

New accounting standards adopted during the year

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

Those newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures are further discussed at Note 16.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Functions or activities										
1. Wentworth is a vibrant, growing and thriving shire	907	979	2,437	2,607	(1,530)	(1,628)	–	47	15,225	11,541
2. Wentworth is a desirable shire to visit, live, work and invest	1,984	4,813	3,131	6,159	(1,147)	(1,346)	1,800	2,055	25,730	44,468
3. Wentworth is a community that works to enhance and protect its physical and natural assets	21,089	13,520	16,997	11,821	4,092	1,699	6,504	2,157	393,483	359,029
4. Wentworth is a caring, supportive and inclusive community that is informed and engaged in its future	12,941	14,682	6,721	6,947	6,220	7,735	6,842	6,733	43,678	43,528
Total functions and activities	36,921	33,994	29,286	27,534	7,635	6,460	15,146	10,992	478,116	458,566

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:

1. Wentworth is a vibrant, growing and thriving shire

- 1.1 Grow the potential of business and industry to develop and expand
- 1.2 Encourage and support population growth and resident attraction

2. Wentworth is a desirable shire to visit, live, work and invest

- 2.1 Grow visitation to the Shire by developing a quality visitor experience and promoting our destination
- 2.2 Enhance access to local health and aged care services
- 2.3 Enhance access to maternal and child health services, child care centres and pre-school services
- 2.4 Enhance access to education, skills and training
- 2.5 Maintain/create desirable open spaces and recreation facilities

3. Wentworth is a community that works to enhance and protect its physical and natural assets

- 3.1 Promote the efficient delivery of water supply, sewer and drainage services for the long term interests of future generations
- 3.2 Plan for and develop the right assets and infrastructure
- 3.3 Prepare for natural disasters, biosecurity risks and climate change
- 3.4 Reduce, reuse and recover waste
- 3.5 Recognise the importance of a healthy Murray-Darling River System

4. Wentworth is a caring, supportive and inclusive community that is informed and engaged in its future

- 4.1 Provide strong and effective representation, leadership, planning, decision-making and service delivery
- 4.2 Encourage locals to volunteer their time within their local community
- 4.3 Promote disability inclusion with the general community
- 4.4 Encourage the self determination of the Aboriginal community
- 4.5 Encourage the self determination of individual townships and community groups
- 4.6 Collaborate with others to achieve desired outcomes for the local community
- 4.7 Promote the celebration of the region's rich cultural and social heritage

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

	AASB	2020 \$ '000	2019 \$ '000
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	1,985	1,916
Farmland	1058 (1)	1,735	1,666
Business	1058 (1)	1,521	1,482
Less: pensioner rebates (mandatory)	1058 (1)	(45)	(45)
Less: pensioner rebates (Council policy)	1058 (1)	(35)	(39)
Rates levied to ratepayers		5,161	4,980
Pensioner rate subsidies received	1058 (1)	45	45
Total ordinary rates		5,206	5,025
Special rates			
Tourism	1058 (1)	40	40
Levee bank	1058 (1)	—	119
Rates levied to ratepayers		40	159
Total special rates		40	159
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	764	735
Water supply services	1058 (1)	1,218	1,190
Sewerage services	1058 (1)	1,640	1,572
Less: pensioner rebates (mandatory)	1058 (1)	(59)	(55)
Less: pensioner rebates (Council policy)	1058 (1)	(46)	(47)
Annual charges levied		3,517	3,395
Pensioner subsidies received:			
– Water	1058 (1)	19	19
– Sewerage	1058 (1)	18	17
– Domestic waste management	1058 (1)	22	20
Total annual charges		3,576	3,451
TOTAL RATES AND ANNUAL CHARGES		8,822	8,635

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”.

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	AASB	2020 \$ '000	2019 \$ '000
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (1)	1,411	1,463
Total specific user charges		1,411	1,463
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	15 (1)	15	9
Planning and building regulation	15 (1)	252	230
Private works – section 67	15 (1)	65	47
Section 10.7 certificates (EP&A Act)	15 (1)	57	49
Section 603 certificates	15 (1)	28	22
Tapping fees	15 (1)	47	31
Total fees and charges – statutory/regulatory		464	388
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (1)	53	84
Caravan park	15 (1)	3	–
Cemeteries	15 (2)	63	83
Library and art gallery	15 (1)	1	1
Refuse and effluent disposal	15 (1)	1	104
RMS charges (state roads not controlled by Council)	15 (1)	3,612	1,390
Waste disposal tipping fees	15 (1)	2,122	1,869
Animal control	15 (1)	27	37
Other – road opening permits	15 (1)	4	3
Other - Water Licence	15 (1)	37	–
Total fees and charges – other		5,923	3,571
TOTAL USER CHARGES AND FEES		7,798	5,422

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

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

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

Accounting policy for user charges and fees

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	AASB	2020 \$ '000	2019 \$ '000
(c) Other revenues			
Rental income – other council properties (2019 only)	15 (1)	–	107
Legal fees recovery – other	1058 (1)	–	3
Diesel rebate	1058 (1)	129	106
Insurance claims recoveries	1058 (1)	109	54
Sales – general	1058 (1)	4	2
Facilities revenue	15 (1)	418	576
Insurance rebates	1058 (1)	50	55
Rural fire service reimbursements	1058 (1)	15	8
Sales – miscellaneous	1058 (1)	9	28
Other – other public works	1058 (1)	3	35
Other – meter readings	1058 (1)	8	6
Other	1058 (1)	232	138
TOTAL OTHER REVENUE		977	1,118

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”,

1058 (1) indicates income recognised under AASB 1058 “at a point in 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.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	AASB	Operating 2020 \$ '000	Operating 2019 \$ '000	Capital 2020 \$ '000	Capital 2019 \$ '000
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	2,112	2,085	–	–
Financial assistance – local roads component	1058 (1)	1,023	1,013	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	2,237	2,162	–	–
Financial assistance – local roads component	1058 (1)	1,087	1,051	–	–
Total general purpose		6,459	6,311	–	–
Specific purpose					
Water supplies	1058 (1)	–	55	1,542	139
Sewerage services	1058 (1)	–	–	987	557
Bushfire and emergency services	1058 (1)	309	196	–	–
Community Services	1058 (1)	2	–	–	–
Animal Control	1058 (1)	4	–	–	–
Economic development	1058 (1)	6	20	–	–
Employment and training programs	1058 (1)	–	64	–	–
Environmental programs	1058 (1)	–	–	222	95
Library – per capita	1058 (1)	54	27	–	–
Library – special projects	1058 (1)	–	–	23	6
Noxious weeds	1058 (1)	29	28	–	–
Recreation and culture	1058 (1)	–	–	1,687	1,841
Street lighting	1058 (1)	43	42	–	–
Transport (roads to recovery)	1058 (1)	1,917	979	–	–
Transport (other roads and bridges funding)	1058 (1)	47	300	303	–
Aerodrome	1058 (1)	–	–	1,488	–
Water transport	1058 (1)	–	–	1	85
Other	1058 (1)	23	190	–	–
Other	1058 (1)	–	49	–	8
Total specific purpose		2,434	1,950	6,253	2,731
Total grants		8,893	8,261	6,253	2,731
Grant revenue is attributable to:					
– Commonwealth funding		8,376	7,310	412	716
– State funding		517	951	5,841	2,015
		8,893	8,261	6,253	2,731

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	AASB	Operating 2020 \$ '000	Operating 2019 \$ '000	Capital 2020 \$ '000	Capital 2019 \$ '000
Notes					
(e) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – Development Contributions Plan	1058 (1)	–	–	5	25
S 64 – water supply contributions	1058 (1)	–	–	51	45
S 64 – sewerage service contributions	1058 (1)	–	–	87	73
Service Plan # 2	1058 (1)	–	–	1	1
Total developer contributions – cash		–	–	144	144
Total developer contributions	26	–	–	144	144
Other contributions:					
Cash contributions					
Roads and bridges	1058 (1)	17	45	1	34
RMS contributions (regional roads, block grant)	1058 (1)	1,397	1,366	199	446
Other	1058 (1)	–	41	12	19
Total other contributions – cash		1,414	1,452	212	499
Non-cash contributions					
Dedications – subdivisions (other than by s7.11)	1058 (1)	–	–	959	3,170
Other	1058 (1)	–	–	732	–
Total other contributions – non-cash		–	–	1,691	3,170
Total other contributions		1,414	1,452	1,903	3,669
Total contributions		1,414	1,452	2,047	3,813
TOTAL GRANTS AND CONTRIBUTIONS		10,307	9,713	8,300	6,544

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

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

Accounting policy for grants and contributions**Accounting policy from 1 July 2019****Grant income under AASB 15**

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

The performance obligations are varied based on the agreement include but are not limited to 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.

Operating grants

Unexpended at the close of the previous reporting period	584	147
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	441
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(4)
Less: operating grants received in a previous reporting period now spent and recognised as income	(351)	–
Unexpended and held as externally restricted assets (operating grants)	233	584

Unexpended Operating Grants includes:

- Pooncarie Weir
- RMS Block Grant
- RFS R & M Grant.

Capital grants

Unexpended at the close of the previous reporting period	561	99
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	462
Add: capital grants received and transferred to contract liabilities	551	–
Less: capital grants received in a previous reporting period now spent and recognised as income	(561)	–
Unexpended and held as externally restricted assets (capital grants)	551	561

Unexpended Capital Grants Include:

- Stronger Country Communities Fund Round 2 & 3 projects

Contributions

Unexpended at the close of the previous reporting period	620	591
Add: contributions recognised as income in the current period but not yet spent	20	29
Less: contributions recognised in a previous reporting period now spent	–	–
Unexpended and held as externally restricted assets (contributions)	640	620

- Unexpended Contributions include the following Developer Contributions:
- Developer Contribution Plan
- Service Plan # 2

	AASB 15 2020 \$ '000	AASB 1058 2020 \$ '000
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(g) Disaggregation of material revenue streams

The following shows the revenue recognition pattern for the material revenue streams of Council.

Revenue recognition at a point in time

Rates and annual charges	–	8,822
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	AASB 15 2020 \$ '000	AASB 1058 2020 \$ '000
Financial assistance grants	—	6,459
User charges and fees	7,735	—
Grant revenue and non-developer contributions	—	10,548
Developer contributions	—	1,103
Other - Facility Revenue	418	—
Other	—	559
	<u>8,153</u>	<u>27,491</u>
Revenue recognised over time		
User charges and fees	<u>63</u>	<u>—</u>
	<u>63</u>	<u>—</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

	2020 \$ '000	2019 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	105	104
– Cash and investments	481	782
Total Interest and investment income	586	886
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	55	60
General Council cash and investments	320	490
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	14	15
Water fund operations	154	240
Sewerage fund operations	43	81
Total interest and investment revenue	586	886

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

	2020 \$ '000	2019 \$ '000
(a) Employee benefits and on-costs		
Salaries and wages	7,139	6,934
Employee termination costs (where material – other than vested leave paid)	90	301
Travel expenses	1	3
Employee leave entitlements (ELE)	1,055	1,481
Superannuation – defined contribution plans	694	685
Superannuation – defined benefit plans	126	129
Workers' compensation insurance	247	179
Fringe benefit tax (FBT)	6	13
Training costs	83	53
Uniforms	23	38
Recruitment	40	65
Total employee costs	9,504	9,881
Less: capitalised costs	(714)	(601)
TOTAL EMPLOYEE COSTS EXPENSED	8,790	9,280

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 20 for more information.

	2020 \$ '000	2019 \$ '000
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	206	216
Total interest bearing liability costs	206	216
Total interest bearing liability costs expensed	206	216
TOTAL BORROWING COSTS EXPENSED	206	216

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	2020 \$ '000	2019 \$ '000
(c) Materials and contracts		
Raw materials and consumables	2,753	1,079
Contractor and consultancy costs	4,955	4,240
Auditors remuneration ¹	83	72
Legal expenses:		
– Legal expenses: planning and development	–	28
– Legal expenses: debt recovery	18	25
– Legal expenses: other	50	20
Total materials and contracts	7,859	5,464
TOTAL MATERIALS AND CONTRACTS	7,859	5,464
1. Auditor remuneration		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	83	72
Remuneration for audit and other assurance services	83	72
Total Auditor-General remuneration	83	72
Total Auditor remuneration	83	72

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	Notes	2020 \$ '000	2019 \$ '000
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		990	998
Office equipment		35	33
Furniture and fittings		8	10
Land improvements (depreciable)		222	211
Infrastructure:	10(a)		
– Buildings		1,332	1,881
– Roads		3,607	3,535
– Other structures		127	193
– Bridges		101	101
– Footpaths		87	84
– Stormwater drainage		622	228
– Water supply network		699	655
– Sewerage network		785	760
– Swimming pools		75	75
– Other open space/recreational assets		63	64
– Other infrastructure		113	47
Other assets:			
– Library books		30	36
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	15,10(a)	45	45
Total gross depreciation and amortisation costs		8,941	8,956
Total depreciation and amortisation costs		8,941	8,956
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		8,941	8,956

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

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

Impairment of non-financial assets

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	2020 \$ '000	2019 \$ '000
(e) Other expenses		
Advertising	70	30
Training costs (other than salaries and wages)	90	62
Travel expenses	27	22
Bad and doubtful debts	67	32
Bank charges	39	32
Cleaning	154	139
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	11	9
– NSW fire brigade levy	25	23
– NSW rural fire service levy	283	225
– Other contributions/levies	–	1
Councillor expenses – mayoral fee	26	26
Councillor expenses – councillors' fees	104	104
Councillors' expenses (incl. mayor) – other (excluding fees above)	76	86
Donations, contributions and assistance to other organisations (Section 356)	238	170
Electricity and heating	595	529
Fire control expenses	47	139
Insurance	478	460
Office expenses (including computer expenses)	553	427
Other – remediation remeasurement – tip	–	463
Other Joint Organisation Costs	5	82
Postage	25	22
Printing and stationery	47	65
Street lighting	112	153
Subscriptions and publications	73	58
Telephone and communications	80	78
Tourism expenses (excluding employee costs)	128	117
Valuation fees	32	34
Other	3	30
Total other expenses	3,388	3,618
TOTAL OTHER EXPENSES	3,388	3,618

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

	Notes	2020 \$ '000	2019 \$ '000
Property (excl. investment property)			
Proceeds from disposal – property		–	7
Less: carrying amount of property assets sold/written off		–	(31)
Net gain/(loss) on disposal		–	(24)
Plant and equipment			
	10(a)		
Proceeds from disposal – plant and equipment		279	433
Less: carrying amount of plant and equipment assets sold/written off		(199)	(194)
Net gain/(loss) on disposal		80	239
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		75,000	63,000
Less: carrying amount of investments sold/redeemed/matured		(75,000)	(63,000)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		80	215

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

	2020 \$ '000	2019 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	2,413	2,327
Cash-equivalent assets		
– Short-term deposits	8,000	4,000
Total cash and cash equivalents	10,413	6,327

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Investments				
'Financial assets at amortised cost'	18,005	–	24,000	–
Total Investments	18,005	–	24,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	28,418	–	30,327	–
Financial assets at amortised cost				
Long term deposits	18,005	–	24,000	–
Total	18,005	–	24,000	–

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Total cash, cash equivalents and investments	28,418	–	30,327	–
attributable to:				
External restrictions	13,498	–	14,495	–
Internal restrictions	10,583	–	11,199	–
Unrestricted	4,337	–	4,633	–
	28,418	–	30,327	–

	2020 \$ '000	2019 \$ '000
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – Contract Liabilities	551	–
Other trust account	–	356
Other cemeteries trust	–	487

External restrictions – included in liabilities

	551	843
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External restrictions – other

Developer contributions – general	640	620
Specific purpose unexpended grants (recognised as revenue) – general fund	233	1,145
Water supplies	9,154	8,710
Sewerage services	2,631	2,739
Domestic waste management	–	105
Council reserves – caravan park	289	333

External restrictions – other

	12,947	13,652
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Total external restrictions

	13,498	14,495
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Internal restrictions

Plant and vehicle replacement	1,500	2,200
Employees leave entitlement	2,448	2,241
Deposits, retentions and bonds	576	–
Capital projects	1,000	1,000
FAG received in advance	3,323	3,213
Future development	1,113	1,113
Loan guarantee	3	11
Other doubtful debts provision	115	49
Tip remediation	–	1,372
Cemeteries Deposits	505	–

Total internal restrictions

	10,583	11,199
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TOTAL RESTRICTIONS

	24,081	25,694
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Purpose				
Rates and annual charges	982	–	859	–
Interest and extra charges	225	–	190	–
User charges and fees	2,717	–	1,744	–
Accrued revenues				
– Interest on investments	62	–	218	–
Government grants and subsidies	1,244	–	284	–
Net GST receivable	431	–	210	–
Total	5,661	–	3,505	–
Less: provision of impairment				
User charges and fees	(115)	–	(49)	–
Total provision for impairment – receivables	(115)	–	(49)	–
TOTAL NET RECEIVABLES	5,546	–	3,456	–

Externally restricted receivables

Water supply

– Rates and availability charges	533	–	375	–
– Other	549	–	914	–

Sewerage services

– Rates and availability charges	287	–	261	–
– Other	99	–	247	–

Total external restrictions	1,468	–	1,797	–
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Unrestricted receivables	4,078	–	1,659	–
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TOTAL NET RECEIVABLES	5,546	–	3,456	–
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	2020 \$ '000	2019 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year	49	61
+ new provisions recognised during the year	66	–
– previous impairment losses reversed	–	(12)
Balance at the end of the year	115	49

Accounting policy for receivables

Recognition and measurement

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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 presumption that a financial asset is in default when:

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
(a) Inventories				
(i) Inventories at cost				
Stores and materials	202	–	207	–
Total inventories at cost	202	–	207	–
TOTAL INVENTORIES	202	–	207	–

(b) Other assets

Prepayments	213	–	156	–
TOTAL OTHER ASSETS	213	–	156	–

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	5,565	–	5,565	7,675	3,412	–	–	(3,575)	–	–	–	13,077	–	13,077
Plant and equipment	15,545	(9,135)	6,410	1,320	–	(199)	(990)	–	–	–	–	16,159	(9,618)	6,541
Office equipment	2,037	(1,728)	309	185	5	–	(35)	–	–	–	–	2,227	(1,763)	464
Furniture and fittings	278	(256)	22	–	2	–	(8)	–	–	–	–	280	(264)	16
Land:														
– Operational land	–	–	–	–	–	–	–	–	2,657	–	1,400	4,057	–	4,057
– Community Land	7,836	–	7,836	–	–	–	–	–	(2,657)	–	2,071	7,250	–	7,250
– Land under roads (post 30/6/08)	254	–	254	–	107	–	–	–	–	–	–	361	–	361
Land improvements – depreciable	7,717	(4,029)	3,688	202	245	–	(222)	71	–	–	–	8,236	(4,252)	3,984
Infrastructure:														
– Buildings	69,870	(36,853)	33,017	230	60	–	(1,332)	1,379	–	–	–	70,632	(37,278)	33,354
– Other structures	10,899	(4,661)	6,238	–	90	–	(127)	994	(3,715)	–	–	5,316	(1,836)	3,480
– Roads	186,210	(97,297)	88,913	4,054	244	–	(3,607)	–	–	–	119	190,555	(100,832)	89,723
– Bridges	11,726	(3,517)	8,209	–	–	–	(101)	–	–	(1,160)	–	12,632	(5,684)	6,948
– Footpaths	4,361	(1,736)	2,625	36	61	–	(87)	65	–	–	272	6,214	(3,242)	2,972
– Bulk earthworks (non-depreciable)	190,611	–	190,611	–	–	–	–	–	–	–	–	190,611	–	190,611
– Stormwater drainage	23,691	(8,960)	14,731	–	384	–	(622)	194	–	–	129	24,483	(9,667)	14,816
– Water supply network	56,098	(25,845)	30,253	–	14	–	(699)	53	–	–	283	56,697	(26,793)	29,904
– Sewerage network	45,178	(26,895)	18,283	–	219	–	(785)	819	–	–	165	46,645	(27,944)	18,701
– Swimming pools	3,000	(1,273)	1,727	19	–	–	(75)	–	–	–	–	3,019	(1,348)	1,671
– Other open space/recreational assets	662	(351)	311	–	–	–	(63)	–	–	–	–	662	(414)	248
– Other infrastructure	1,827	(344)	1,483	–	41	–	(113)	–	3,715	–	5,514	13,386	(2,746)	10,640
Other assets:														
– Library books	331	(218)	113	49	–	–	(30)	–	–	–	–	380	(248)	132
Reinstatement, rehabilitation and restoration assets (refer Note 12):														
– Tip assets	2,227	(50)	2,177	1,112	–	–	(45)	–	–	–	–	3,338	(94)	3,244
Total Infrastructure, property, plant and equipment	645,923	(223,148)	422,775	14,882	4,884	(199)	(8,941)	–	–	(1,160)	9,953	676,217	(234,023)	442,194

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period						as at 30/06/19		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	2,725	–	2,725	4,269	948	–	–	(2,377)	–	5,565	–	5,565
Plant and equipment	14,811	(9,384)	5,427	2,139	36	(194)	(998)	–	–	15,545	(9,135)	6,410
Office equipment	1,924	(1,694)	230	36	76	–	(33)	–	–	2,037	(1,728)	309
Furniture and fittings	278	(246)	32	–	–	–	(10)	–	–	278	(256)	22
Land:												
– Community land	7,842	–	7,842	–	–	(6)	–	–	–	7,836	–	7,836
– Land under roads (post 30/6/08)	247	–	247	–	7	–	–	–	–	254	–	254
Land improvements – depreciable	7,040	(3,818)	3,222	–	662	–	(211)	15	–	7,717	(4,029)	3,688
Infrastructure:												
– Buildings	69,942	(35,265)	34,677	65	174	(26)	(1,881)	8	–	69,870	(36,853)	33,017
– Other structures	10,156	(4,358)	5,798	9	36	–	(193)	52	536	10,899	(4,661)	6,238
– Roads	180,267	(93,762)	86,505	1,176	2,613	–	(3,535)	2,154	–	186,210	(97,297)	88,913
– Bridges	11,726	(3,416)	8,310	–	–	–	(101)	–	–	11,726	(3,517)	8,209
– Footpaths	4,204	(1,652)	2,552	–	157	–	(84)	–	–	4,361	(1,736)	2,625
– Bulk earthworks (non-depreciable)	190,309	–	190,309	–	302	–	–	–	–	190,611	–	190,611
– Stormwater drainage	22,650	(8,601)	14,049	–	687	–	(228)	–	223	23,691	(8,960)	14,731
– Water supply network	54,714	(24,782)	29,932	–	415	–	(655)	85	476	56,098	(25,845)	30,253
– Sewerage network	43,817	(25,712)	18,105	–	610	–	(760)	40	288	45,178	(26,895)	18,283
– Swimming pools	3,000	(1,198)	1,802	–	–	–	(75)	–	–	3,000	(1,273)	1,727
– Other open space/recreational assets	639	(287)	352	–	–	–	(64)	23	–	662	(351)	311
– Other infrastructure	1,827	(297)	1,530	–	–	–	(47)	–	–	1,827	(344)	1,483
Other assets:												
– Library books	289	(182)	107	42	–	–	(36)	–	–	331	(218)	113
Reinstatement, rehabilitation and restoration assets (refer Note 12):												
– Tip assets	2,227	(5)	2,222	–	–	–	(45)	–	–	2,227	(50)	2,177
Total Infrastructure, property, plant and equipment	630,634	(214,659)	415,975	7,736	6,723	(226)	(8,956)	–	1,523	645,923	(223,148)	422,775

(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. 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	Swimming pools	50
Sealed roads: structure	50	Unsealed roads	20
Unsealed roads	20	Other open space/recreational assets	20
Bridge: concrete	100	Other infrastructure	20
Bridge: other	50		
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.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Crown reserves

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

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

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

	as at 30/06/20			as at 30/06/19		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Water supply						
WIP	3,271	—	3,271	835	—	835
Plant and equipment	43	14	29	43	12	31
Infrastructure	56,698	26,793	29,905	56,098	25,845	30,253
Total water supply	60,012	26,807	33,205	56,976	25,857	31,119
Sewerage services						
WIP	3,830	—	3,830	2,182	—	2,182
Land						
– Improvements – depreciable	13	7	6	13	6	7
Infrastructure	46,645	27,943	18,702	45,178	26,895	18,283
Total sewerage services	50,488	27,950	22,538	47,373	26,901	20,472
Domestic waste management						
Land						
TOTAL RESTRICTED						
IPP&E	110,500	54,757	55,743	104,349	52,758	51,591

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets

Intangible assets are as follows:

	2020 \$ '000	2019 \$ '000
Goodwill		
Opening values at 1 July		
Gross book value	184	184
Net book value – opening balance	184	184
Closing values at 30 June		
Gross book value	184	184
Total Goodwill – net book value	184	184
 TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	 184	 184

Accounting policy for intangible assets**Intangible Assets**

An intangible asset is an identifiable, non-monetary asset without physical substance. The identifiable criterion is met when the intangible asset is separable (ie it can be sold, transferred or licenced), or where it arises from contractual or other legal rights.

Acquired intangible assets

Intangible assets are measured initially at cost. Cost includes (a) the fair value of the consideration given to acquiring the asset; and (b) any costs directly attributable to the transaction, such as relevant professional fees or taxes.

Subsequent measurement

Intangible assets with definite useful lives are considered for impairment where there is an indication that the asset has been impaired. Intangible assets with indefinite useful lives should be tested annually for impairment, as well as whenever there is an indication of impairment.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities

	Notes	2020 Current \$ '000	2020 Non-current \$ '000
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	551	—
Total grants received in advance		551	—
User fees and charges received in advance:			
Other - Cemeteries Deposits		505	—
Total user fees and charges received in advance		505	—
Total contract liabilities		1,056	—

Notes

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

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

(iii) Council has received funds for Cemeteries Reservations prior to the satisfaction of the performance obligations.

	2020 Current \$ '000	2020 Non-current \$ '000
(i) Contract liabilities relating to restricted assets		
Unspent grants held as contract liabilities (excl. Water & Sewer)	551	—
Contract liabilities relating to externally restricted assets	551	—
Cemeteries Deposits	505	—
Contract liabilities relating to internally restricted assets	505	—
Total contract liabilities relating to restricted assets	1,056	—
Total contract liabilities relating to unrestricted assets	—	—
Total contract liabilities	1,056	—

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases

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

(i) Council as a lessee

Council currently has no leases in place.

Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E in the Statement of Financial Position.

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

	2020 \$ '000
(i) Operating lease income	
Lease income (excluding variable lease payments not dependent on an index or rate)	51
Other lease income	
Total income relating to operating leases	51

(iv) Maturity analysis of contractual lease income

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

< 1 year	96
1–2 years	98
2–3 years	100
3–4 years	102
4–5 years	104
> 5 years	562
Total undiscounted contractual lease income receivable	1,062

Accounting policy

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Payables				
Accrued expenses:				
– Borrowings	10	–	10	–
– Salaries and wages	320	–	354	–
– Other expenditure accruals	2,672	–	817	–
Trust account – money held in trust	576	–	356	–
Total payables	3,578	–	1,537	–
Income received in advance (2019 only)				
Payments received in advance	–	–	487	–
Total income received in advance	–	–	487	–
Borrowings				
Loans – secured ¹	262	4,032	247	4,292
Total borrowings	262	4,032	247	4,292
TOTAL PAYABLES AND BORROWINGS	3,840	4,032	2,271	4,292

(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 18.

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	23	–	–	–
Sewer	43	–	–	–
Other	–	–	843	–
Total payables and borrowings relating to restricted assets	66	–	843	–
Total payables and borrowings relating to unrestricted assets	3,774	4,032	1,428	4,292
TOTAL PAYABLES AND BORROWINGS	3,840	4,032	2,271	4,292

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	4,539	(245)	–	–	–	–	4,294
TOTAL	4,539	(245)	–	–	–	–	4,294

	as at 30/06/18		Non-cash changes				as at 30/06/19
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Other non-cash movement \$ '000		Closing balance \$ '000
Loans – secured	4,779	(240)	–	–	–		4,539
TOTAL	4,779	(240)	–	–	–		4,539

	2020 \$ '000	2019 \$ '000
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(c) Financing arrangements

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

Credit cards/purchase cards	40	40
Total financing arrangements	40	40

Undrawn facilities as at balance date:

– Credit cards/purchase cards	40	40
Total undrawn financing arrangements	40	40

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

Loans are 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.

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Provisions				
Employee benefits				
Annual leave	922	–	841	–
Long service leave	1,125	230	1,107	108
Gratuities	165	6	162	24
Sub-total – aggregate employee benefits	2,212	236	2,110	132
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	2,484	–	1,372
Sub-total – asset remediation/restoration	–	2,484	–	1,372
TOTAL PROVISIONS	2,212	2,720	2,110	1,504

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

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

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

Provisions – employees benefits	1,106	1,055
	1,106	1,055

(b) Description of and movements in provisions

	ELE provisions			
	Annual leave \$ '000	Long service leave \$ '000	Gratuities \$ '000	Total \$ '000
2020				
At beginning of year	841	1,215	186	2,242
Additional provisions	552	223	(3)	772
Amounts used (payments)	(471)	(83)	(12)	(566)
Total ELE provisions at end of year	922	1,355	171	2,448
2019				
At beginning of year	972	1,223	182	2,377
Additional provisions	529	286	18	833
Amounts used (payments)	(660)	(294)	(14)	(968)
Total ELE provisions at end of year	841	1,215	186	2,242

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

	Other provisions	
	Asset remediation \$ '000	Total \$ '000
2020		
At beginning of year	1,372	1,372
Remeasurement effects	1,112	1,112
Total other provisions at end of year	2,484	2,484
2019		
At beginning of year	909	909
Additional provisions	463	463
Total other provisions at end of year	1,372	1,372

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the Buronga Landfill.

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.

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

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

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

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

Rehabilitation

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

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

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

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 will result 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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**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 accumulated surplus and contract liabilities
- Additional line item - contract liabilities have been created
- Movement of balances between payments and contract liabilities

	Balance at 1 July 2019
\$ '000	

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

– Under AASB 1058

Total Contract liabilities

561

561

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

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

Statement of Financial Position

	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
\$ '000					
Current assets					
Cash and cash equivalents	10,413	–	–	10,413	
Investments	18,005	–	–	18,005	
Receivables	5,546	–	–	5,546	
Inventories	202	–	–	202	
Other	213	–	–	213	
Total current assets	34,379	–	–	34,379	
Current liabilities					
Payables	3,578	–	–	3,578	
Income received in advance	–	505	–	505	
Contract liabilities	1,056	(505)	(551)	–	

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Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '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
Borrowings	262	—	—	262	
Provisions	2,212	—	—	2,212	
Total current liabilities	7,108	—	(551)	6,557	
Non-current assets					
Infrastructure, property, plant and equipment	442,194	—	—	442,194	
Intangible assets	184	—	—	184	
Investments accounted for using equity method	1,359	—	—	1,359	
Total non-current assets	443,737	—	—	443,737	
Non-current liabilities					
Borrowings	4,032	—	—	4,032	
Provisions	2,720	—	—	2,720	
Total Non-current liabilities	6,752	—	—	6,752	
Net assets	464,256	—	551	464,807	
Equity					
Accumulated surplus	70,072	—	(551)	69,521	
Revaluation reserves	394,184	—	—	394,184	
Council equity interest	464,256	—	(551)	463,705	
Total equity	464,256	—	(551)	463,705	

Transfer of a Contract Liability to income received in advance and elimination of contract liability which arises under AASB 15 for funds to construct an asset to be controlled by Council and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations.

Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	8,822	—	—	8,822	
User charges and fees	7,798	—	—	7,798	
Other revenues	977	—	—	977	
Grants and contributions provided for operating purposes	10,307	—	—	10,307	
Grants and contributions provided for capital purposes	8,300	—	(10)	8,290	

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Interest and investment income	586	—	—	586	
Net gains from the disposal of assets	80	—	—	80	
Rental income	51	—	—	51	
Total Income from continuing operations	36,921	—	(10)	36,911	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	8,790	—	—	8,790	
Borrowing costs	206	—	—	206	
Materials and contracts	7,859	—	—	7,859	
Depreciation and amortisation	8,941	—	—	8,941	
Other expenses	3,388	—	—	3,388	
Net share of interests in joint ventures and associates using the equity method	102	—	—	102	
Total Expenses from continuing operations	29,286	—	—	29,286	
Total Operating result from continuing operations	7,635	—	(10)	7,625	
Net operating result for the year	7,635	—	(10)	7,625	
Total comprehensive income	16,428	—	(10)	16,418	

Elimination of Contract Liability which has arisen under AASB 15 for funds received to construct an asset to be controlled by Council.

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
Total assets	458,566	—	458,566
Contract liabilities	10,177	561	10,738
Total liabilities	10,177	561	10,738
Total equity	448,389	(561)	447,828

(iii) AASB 16 Leases**Council as a lessee**

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there

Notes to the Financial Statements

for the year ended 30 June 2020

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

is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

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

Practical expedients used on transition

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

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

Financial statement impact of adoption of AASB 16

Council has no leases in place for the use of assets therefore has recognised right-of-use assets and lease liabilities of \$0 at 1 July 2019.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

	Notes	2020 \$ '000	2019 \$ '000
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	10,413	6,327
Balance as per the Statement of Cash Flows		10,413	6,327
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		7,635	6,460
Adjust for non-cash items:			
Depreciation and amortisation		8,941	8,956
Net losses/(gains) on disposal of assets		(80)	(215)
Non-cash capital grants and contributions		(1,691)	(3,170)
Adoption of AASB 15/1058		(561)	–
Share of net (profits)/losses of associates/joint ventures using the equity method		102	(1,461)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,156)	2,222
Increase/(decrease) in provision for impairment of receivables		66	(12)
Decrease/(increase) in inventories		5	(23)
Decrease/(increase) in other current assets		(57)	(15)
Increase/(decrease) in other accrued expenses payable		569	(59)
Increase/(decrease) in other liabilities		(267)	123
Increase/(decrease) in contract liabilities		1,056	–
Increase/(decrease) in provision for employee benefits		206	(135)
Increase/(decrease) in other provisions		–	463
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		13,768	13,134
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		1,691	3,170
Total non-cash investing and financing activities		1,691	3,170

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities

	Council's share of net income		Council's share of net assets	
	2020 \$ '000	2019 \$ '000	2020 \$ '000	2019 \$ '000
Joint ventures	(102)	1,461	1,359	1,461
Total	(102)	1,461	1,359	1,461

Joint arrangements

(i) Joint ventures

The following information is provided for joint arrangements that are individually material to the Council. Included are the total amounts as per the joint arrangements financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

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

The FWJO is a separately constituted entity pursuant to Part 7 (Sections 400O to 400ZH) of the Local Government Act (NSW) 1993, as amended and the Local Government (General) Regulation 2008.

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

The principal functions of the Far West Joint Organisation will be to:

1. Establish strategic regional priorities for the joint organisation area and develop strategies and plans for delivering these priorities;
2. Provide regional leadership for the joint organisation area and to be an advocate for strategic regional priorities;
3. Identify and take up opportunities for intergovernmental cooperation on matters relating to the joint organisation area;
4. Enhancing strategic capacity to support member councils to deliver services to their communities; and
5. Service delivery to provide services directly to communities in the region.

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

FWJO comprises the Councils of the Shires of Balranald, Broken Hill, Central Darling and Wentworth. The Board of the FWJO comprises 4 voting members being the Mayors of the four member Councils, and non-voting members being the General Managers of the four member Councils, as well as three appointed members from the State Government and Cabinet (non-voting).

Wentworth Shire Council as a member of the FWJO, has a one quarter voting right (25%) in respect to the decisions of the Board.

For the 2019/2020 year, no member Councils were required to make contributions to the FWJO.

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

The FWJO has engaged an Executive Officer on a standard Local Government contract for 3 years. The contract in this financial year (2019/2020) is \$170,000.

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

Far West Joint Organisation 2020	
Equity Method	\$'000
Summarised Statement of Financial Position	
Current assets	5,421
Non-current assets	36
Current liabilities	(19)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

Non-current liabilities	-
Net assets	5,438
Summarised Statement of Income and other Comprehensive Income	
Grant funding	6,150
Interest income	33
Total Income from Continuing Operations	6,183
Employee benefits	(304)
Borrowing costs	-
Depreciation and amortisation	(11)
Administration expense	(430)
Total Expense from Continuing Operations	(745)
Profit/(loss) from continuing operations	5,438
Other Comprehensive Income	-
Total Comprehensive Income	5,438
Summarised Statement of Cash Flows	
Cash flows from operating activities	5,418
Cash flows from investing activities	(46)
Cash flows from financing activities	-
Net Increase/(Decrease) in cash and cash equivalents	5,371
Reconciliation of carrying amount of interest in the joint arrangement to summarised financial information for FWJO accounted for using the Equity method:	
Wentworth Shire Council's share of 25% of Net Assets	1,359
Carrying amount	1,359

Joint arrangement

Principal activity	Place of business	Interest in ownership		Interest in voting		
		2020 %	2019 %	2020 %	2019 %	
Council is involved in the following joint arrangement						
Name of joint arrangement:						
Far West Joint Organisation	Local Government Joint Arrangement	6 Midway Drive Buronga NSW 2739	25%	25%	25%	25%

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

Accounting policy for joint arrangements

The council has determined that it has a joint arrangement with Balranald Council, Broken Hill Council and Central Darling Council in the Far West Joint Organisation.

Interest in joint arrangements are accounted for using the equity method in accordance with AASB 128 Investments in Associates and Joint Ventures.

Under this method, the investment is initially recognised as at cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. If the Council's share of losses of a joint arrangement equals or exceeds its interest in the joint arrangement, the Council discontinues recognising its share of further losses.

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

Adjustments are made to the joint arrangements accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments

	2020	2019
	\$ '000	\$ '000

Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	678	753
Plant and equipment	648	105
Other	4,893	2,527
Total commitments	6,219	3,385

These expenditures are payable as follows:

Within the next year	6,219	3,385
Total payable	6,219	3,385

Sources for funding of capital commitments:

Unrestricted general funds	6,219	3,385
Total sources of funding	6,219	3,385

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits 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 future service employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.90 times employee contributions for non - 180 Point Members; Nil for 180 Point Members*
Division C	2.50% salaries
Division D	1.64 times employee contributions

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

The past service contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. 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 \$109,345.11. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2019, and covers the period ended 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$40 million. Council's expected contribution to the plan for the next annual reporting period is \$74,200.

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 0.19%

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 *	3.50% per annum
Increase in CPI	2.50% per annum

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management

Risk management

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

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

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

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

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

	Carrying value 2020 \$ '000	Carrying value 2019 \$ '000	Fair value 2020 \$ '000	Fair value 2019 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	10,413	6,327	10,413	6,327
Receivables	5,546	3,456	5,546	3,456
Investments				
– 'Financial assets at amortised cost'	18,005	24,000	18,005	24,000
Total financial assets	33,964	33,783	33,964	33,783
Financial liabilities				
Payables	3,578	1,537	3,578	1,537
Loans/advances	4,294	4,539	4,294	4,539
Total financial liabilities	7,872	6,076	7,872	6,076

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 its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
2020				
Possible impact of a 1% movement in interest rates	284	284	(284)	(284)
2019				
Possible impact of a 1% movement in interest rates	303	303	(303)	(303)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(b) Credit risk

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

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

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

There are no significant concentrations of credit risk, other than Council has significant credit risk exposures in its local area given the nature of the business.

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

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors. There are no material receivables that have been subjected to a re-negotiation of repayment terms.

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2020						
Gross carrying amount	–	436	253	245	48	982
2019						
Gross carrying amount	–	472	275	86	26	859

Receivables - non-rates and annual charges

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

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2020						
Gross carrying amount	3,557	400	187	–	535	4,679
Expected loss rate (%)	0.75%	1.00%	0.50%	0.00%	15.50%	2.45%
ECL provision	27	4	1	–	83	115
2019						
Gross carrying amount	1,367	1,023	81	98	77	2,646
Expected loss rate (%)	0.65%	0.50%	5.00%	0.00%	40.00%	1.85%
ECL provision	9	5	4	–	31	49

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2020							
Trade/other payables	0.00%	576	3,002	–	–	3,578	3,578
Loans and advances	4.21%	–	392	1,568	4,117	6,077	4,294
Total financial liabilities		576	3,394	1,568	4,117	9,655	7,872
2019							
Trade/other payables	0.00%	356	1,181	–	–	1,537	1,537
Loans and advances	4.21%	–	392	1,960	4,117	6,469	4,539
Total financial liabilities		356	1,573	1,960	4,117	8,006	6,076

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 26/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	8,664	8,822	158	2% F
User charges and fees	4,910	7,798	2,888	59% F
The increase in User Fees and Charges is due to larger than expected revenue at the Buronga Landfill and fee for service work with Transport for NSW for the State Highways.				
Other revenues	1,258	977	(281)	(22)% U
Other revenue is under budget due to a number of ad-hoc reimbursements that did not occur during the year.				
Operating grants and contributions	9,024	10,307	1,283	14% F
Operating grants was over budget due to a larger than expected increase in the Roads to Recovery funding for the financial year.				
Capital grants and contributions	7,398	8,300	902	12% F
Council received \$1,691,000 in non cash capital contributions for works done on subdivisions and other assets owned or controlled by Council. This revenue is not budgeted for as it is variable in nature.				
Interest and investment revenue	735	586	(149)	(20)% U
Interest and Investment revenue was under budget due to the decrease in the official cash rate from 1.50% to 0.25%.				
Net gains from disposal of assets	100	80	(20)	(20)% U
Net gains is under budget due to a number of plant items unable to be disposed off due to delays in the replacement plant items due to COVID-19.				
Rental income	–	51	51	∞ F
This income was budgeted for under User charges and fees				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	8,853	8,790	63	1% F
Borrowing costs	245	206	39	16% F
Borrowing costs are under budget due to a number of loans not being taken out that had been budget for.				
Materials and contracts	4,473	7,859	(3,386)	(76)% U
Materials and Contract are over budget due larger than expected expenses related to the additional fees and charges for fee for service work for Transport for NSW on the State Highways, and an increase in machinery hire expenses at the Buronga Landfill.				
Depreciation and amortisation	7,064	8,941	(1,877)	(27)% U
Depreciation was over budget due to ongoing revaluation increases.				
Other expenses	3,251	3,388	(137)	(4)% U
Joint ventures and associates – net losses	–	102	(102)	∞ U
This expense represents Council share of the decrease in equity of the Joint Organisation for the year. This is a requirement of accounting standard AASB 11 Joint Arrangements and will always be a post 30 June adjustment.				
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	16,341	13,768	(2,573)	(16)% U
Increase in cash outflows from Material and Contracts was large than the increase on cash inflows for User Fees and Charges. This is due to timing differences between when payments for expenses and made and the receipt of corresponding cash.				
Cash flows from investing activities	(18,912)	(9,437)	9,475	(50)% F
This was due to less outflows as a result of an underspend on capital works.				
Cash flows from financing activities	2,752	(245)	(2,997)	(109)% U
This was because there were a number of loans that were budgeted for but not taken out during the year.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

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

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

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

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

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

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/19	—	—	6,541	6,541
Office equipment	30/06/19	—	—	464	464
Furniture and fittings	30/06/19	—	—	16	16
Swimming Pools	30/06/18	—	—	1,671	1,671
Operational land	30/06/20	—	—	4,057	4,057
Community Land	30/06/20	—	—	7,250	7,250
Land improvements – depreciable	30/06/18	—	—	3,984	3,984
Buildings	30/06/18	—	—	33,354	33,354
Other structures	30/06/18	—	—	3,480	3,480
Roads, Bridges, Bulk Earthworks & Land Under Roads	30/06/20	—	—	287,643	287,643
Footpaths	30/06/20	—	—	2,972	2,972
Stormwater drainage	30/06/17	—	—	14,816	14,816
Water supply network	30/06/17	—	—	29,904	29,904
Sewerage network	30/06/17	—	—	18,701	18,701
Other recreational assets	30/06/18	—	—	248	248
Library books	30/06/20	—	—	132	132
Other Infrastructure	30/06/20	—	—	10,640	10,640
Tip Assets		—	—	3,244	3,244
Total infrastructure, property, plant and equipment		—	—	429,117	429,117

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/19	—	—	6,410	6,410
Office equipment	30/06/19	—	—	309	309
Furniture and fittings	30/06/19	—	—	22	22
Swimming Pools	30/06/18	—	—	1,727	1,727
Operational land		—	—	—	—
Community Land	30/06/16	—	—	7,836	7,836
Land improvements – depreciable	30/06/18	—	—	3,688	3,688
Buildings	30/06/18	—	—	33,017	33,017
Other structures	30/06/18	—	—	6,238	6,238
Roads, Bridges, Bulk Earthworks & Land Under Roads	30/06/15	—	—	287,987	287,987
Footpaths	30/06/15	—	—	2,625	2,625
Stormwater drainage	30/06/17	—	—	14,731	14,731
Water supply network	30/06/17	—	—	30,253	30,253
Sewerage network	30/06/17	—	—	18,283	18,283
Other recreational assets	30/06/18	—	—	311	311
Library books	30/06/19	—	—	113	113
Other Infrastructure		—	—	1,483	1,483
Tip Assets		—	—	2,177	2,177
Total infrastructure, property, plant and equipment		—	—	417,210	417,210

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

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 & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. The key unobservable inputs to the valuation are the remaining useful life and residual value. Council reviews the values of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Operational Land comprises all of Council land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2020 using the values provided by the NSW Valuer General's Office. Generally, fair value is the most advantageous price reasonably obtained by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intended to replace the asset, the remaining useful life and condition of the asset; and cash flows from future use and disposal.

Valuations of all Council's Community Land are based on the land values provided by the NSW Valuer General's Office. As these values are not considered to be observable market evidence they have been classified as Level 3. Community Land was revalued as at 30 June 2020.

Depreciable Land Improvements comprises land improvements such as spectator mounds, gardens, mulched areas streetscaping and landscaping. These assets may be located on parks, reserves and within road reserves. They were last revalued at 30 June 2018 by Asset Val Pty Ltd. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Buildings were valued by Asset Val Pty Ltd at 30 June 2018 using the cost approach. The approach estimated the replacement cost of each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Other Structures comprises lighting systems, shade sails, shelters, tennis and netball courts, bbqs, etc. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period. These assets were valued by Asset Val Pty Ltd at 30 June 2018

Roads comprises the road carriageway, bus shelters, carparks, guardrails, kerb & guttering, boat ramps, wharfs and traffic facilities. The road carriage way is defined as the trafficable portion of a road, between but not including the kerb & gutter. The cost approach using Level 3 inputs was used to value the road carriage way and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were internally valued by Council Officers at 30 June 2020. The cost approach was utilised with inputs such as estimates of patterns of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets.

Footpaths were internally valued by Council Officers at 30 June 2020 using a cost approach. Footpaths were segmented to match the adjacent road segment and no further componentisation was undertaken. Footpaths were originally assessed using physical inspections. Condition information is updated as changes in the network are observed through regular inspections. There has been no change to the valuation process during the reporting period.

Stormwater Drainage assets comprises pits, pipes, headwalls, gross pollutant traps and various types of water quality devices. The cost approach estimated the replacement cost of each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Accordingly due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no changes to the valuation process during the reporting period. These assets were valued by Rapid Map Services Pty Ltd at 30 June 2017.

Sewerage Network and Water Supply Network assets comprises pump stations, reservoirs, treatment plants, reticulation mains, trunk mains, manholes, rising mains, pipes, valves, hydrants, standpipes. The cost approach estimated the replacement cost of each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Accordingly due to limitations in the historical records of very long lived

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no changes to the valuation process during the reporting period. These assets were valued by AGIS Pty Ltd at 30 June 2017.

Swimming pools were valued by Asset Val Pty Ltd at 30 June 2018 using the cost approach. Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Other Open Space/Recreational Assets include all of Councils playground equipment. They were valued by Asset Val Pty Ltd at 30 June 2018 using the cost approach. Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Bridges were valued by Marsh Valuation (formally Asset Val Pty Ltd) at 30 June 2020 using a cost approach. Bridges were originally assessed using physical inspections. Condition information is updated as changes in the condition are observed through regular inspections. There has been no change to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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

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

	Plant and equipment \$ '000	Office equipment \$ '000	Furniture and fittings \$ '000	Operational land \$ '000	Library books \$ '000
2019					
Opening balance	5,427	230	32	—	107
Purchases (GBV)	2,176	113	—	—	42
Disposals (WDV)	(194)	—	—	—	—
Depreciation and impairment	(999)	(34)	(10)	—	(36)
Closing balance	6,410	309	22	—	113
2020					
Opening balance	6,410	309	22	—	113
Purchases (GBV)	1,320	190	2	—	49
Other movement (revaluation)	—	—	—	1,400	—
Disposals (WDV)	(199)	—	—	—	—
Transfers from/(to) another asset class	—	—	—	2,657	—
Depreciation and impairment	(990)	(35)	(8)	—	(30)
Closing balance	6,541	464	16	4,057	132

	Community land \$ '000	Land imp'mts depreciable \$ '000	Buildings \$ '000	Other structures \$ '000	Roads \$ '000
2019					
Opening balance	7,842	3,222	34,677	5,798	285,371
Purchases (GBV)	—	677	239	98	4,098
Other movement (revaluation)	—	—	—	535	—
Disposals (WDV)	(6)	—	(26)	—	—
Transfers from/(to) another asset class	—	—	8	—	2,154
Depreciation and impairment	—	(211)	(1,881)	(193)	(3,636)
Closing balance	7,836	3,688	33,017	6,238	287,987
2020					
Opening balance	7,836	3,688	33,017	6,238	287,987
Purchases (GBV)	—	518	1,669	1,084	4,405
Other movement (revaluation)	2,071	—	—	—	(1,041)
Transfers from/(to) another asset class	(2,657)	—	—	(3,715)	—
Depreciation and impairment	—	(222)	(1,332)	(127)	(3,708)
Closing balance	7,250	3,984	33,354	3,480	287,643

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

	Footpaths \$ '000	Stormwater drainage \$ '000	Water supply network \$ '000	Sewerage network \$ '000	Swimming pools \$ '000
2019					
Opening balance	2,552	14,049	29,932	18,105	1,802
Purchases (GBV)	157	686	416	610	—
Other movement (revaluation)	—	223	476	288	—
Transfers from/(to) another asset class	—	—	85	40	—
Depreciation and impairment	(84)	(227)	(656)	(760)	(75)
Closing balance	2,625	14,731	30,253	18,283	1,727
2020					
Opening balance	2,625	14,731	30,253	18,283	1,727
Purchases (GBV)	162	578	67	1,038	19
Other movement (revaluation)	272	129	283	165	—
Depreciation and impairment	(87)	(622)	(699)	(785)	(75)
Closing balance	2,972	14,816	29,904	18,701	1,671

	Open space \$ '000	Other Infrastructure \$ '000	Tip Assets \$ '000	Total \$ '000
2019				
Opening balance	352	1,530	2,177	413,205
Purchases (GBV)	—	—	—	9,312
Other movement (revaluation)	—	—	—	1,522
Disposals (WDV)	—	—	—	(226)
Transfers from/(to) another asset class	23	—	—	2,310
Depreciation and impairment	(64)	(47)	—	(8,913)
Closing balance	311	1,483	2,177	417,210
2020				
Opening balance	311	1,483	2,177	417,210
Purchases (GBV)	—	41	1,112	12,254
Other movement (revaluation)	—	5,514	—	8,793
Disposals (WDV)	—	—	—	(199)
Transfers from/(to) another asset class	—	3,715	—	—
Depreciation and impairment	(63)	(113)	(45)	(8,941)
Closing balance	248	10,640	3,244	429,117

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures

(a) Key management personnel

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

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

	2020 \$ '000	2019 \$ '000
Compensation:		
Short-term benefits	1,277	1,445
Post Employment Benefits	103	134
Termination benefits	30	413
Total	1,410	1,992

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures (continued)

(b) Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between a 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 \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
2020						
Purchase of Parts and Service of Heavy Plant	1	618	2		—	—
Property Management Fees	2	1	—		—	—
Fees and Charges	3	9	—		—	—
Contribution to Operating Costs	4	—	4		—	—
Employee Remuneration relating to a close family member of a KMP	5	99	—		—	—
Supply of Hardware Materials	6	3	—		—	—
Donations, Grants and Contributions	7	30	—		—	—
Tree/Weed Removal, Construction and Demolition work	8	118	—		—	—
Cleaning Services	9	97	—		—	—
Document Destruction Services, Native Nursery & Employment	11	4	—		—	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures (continued)

Nature of the transaction	Ref	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
2019						
Purchase of Parts and Service of Heavy Plant	1	116	7		—	—
Property Management Fees	2	1	—		—	—
Fees and Charges	3	2	—		—	—
Contribution to Operating Costs	4	—	4		—	—
Employee Remuneration relating to a close family member of a KMP	5	91	—		—	—
Supply of Hardware Materials	6	2	—		—	—
Donations, Grants and Contributions	7	19	—		—	—
Tree/Weed Removal, Construction and Demolition work	8	103	—		—	—
Cleaning Services	9	88	—		—	—
Professional Consulting Services	10	125	—		—	—
Document Destruction Services, Native Nursery & Employment	11	2	—		—	—
Hire of Caravan	12	4	—		—	—

1 Council purchases parts and has heavy plant serviced by William Adams Pty Ltd and Mildura Truck Centre Pty Ltd, companies that employee close family members of Council KMP's. Services and spare parts are billed based on normal rates for such supplies and are due and payable under normal payment terms following Council's procurement process.

2 Council has an investment property that is managed by Elstone Agencies Pty Ltd, a company directly controlled by a Council KMP. Commission was paid under standard industry terms following Council's procurement process

3 A fee for the replacement of a Mobile Garbage Bin was received from Elston Agencies Pty Ltd, a company which is directly controlled by a Council KMP. Fees were received in relation to the purchase of supplies from Council's store by the Wentworth Golf Club, an organisation that is jointly controlled by a Council KMP. Licence Fees for the use of a Crown Reserve for which Council is the Crown Land Manager was received from Wentworth Golf Club, an organisation that is jointly controlled by a Council KMP. Fees and Charges for Food Premises Inspections, Waste Disposal and the hire of Council parks was received by the Coomealla Memorial Sporting Club, an organisation that is jointly controlled by a Council KMP. Licence fees for the use of a Crown Reserve which Council is the Crown Land Manager from the Coomealla Memorial Sporting Club, an organisation that is jointly controlled by a Council KMP.

4 An outstanding amount is owed to Council by Wentworth Cruises, a business that employees a Council KMP and is jointly controlled by a Council KMP. The amount is a contribution to the operating costs of a Crown Reserve which Council is the Crown Land Manager.

5 A close family member of a Council KMP's are employed by Council under the Local Government State Award on an arm's length basis.

6 Council purchases hardware supplies from Wheeldon's Hardware, a business directly controlled by a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures (continued)

-
- 7 Council approved Donations and Contributions to Bottle Bend Reserve Land Manager, Wentworth Rotary Club, Murray House Aged Care and Wentworth Pioneer Homes as part of Council's annual Donations, Grants and Contributions program. All four organisations are jointly controlled by a Council KMP.
- 8 Council incurred transactions during the year with XCAV8IT, a business that is directly controlled by a close family member of a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.
- 9 Council incurred transactions with Wally Green's Hygiene & Cleaning Services, a business that employees a close family member of a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.
- 10 Council incurred transactions with Aurecon Pty Ltd, a company that employed the close family member of a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process. Council incurred transactions with Tonkins Consulting Pty Ltd, a company that employs the close family member of a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process. Council incurred transactions with Juxter Pty Ltd, a company that employs a close family member of a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.
- 11 Council incurred transactions with the Christie Centre Inc, an organisation that is jointly controlled by a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process. The Christie Centre also employs a close family member of a Council KMP.
- 12 Council incurred transactions with Darlene and Rod Watts for the hire of a caravan for the Manager at Willowbend Caravan Park. They are close family members of a Council KMP. Amounts were billed based on a normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.

(c) Other related party transactions

- 1 Council is a member of the Far West Joint Organisation of Councils (FWJO). Council was not required to make any contributions to the FWJO during 2019/20

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Events occurring after the reporting date

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance \$ '000	Cash \$ '000	Non-cash \$ '000	\$ '000	\$ '000	(to)/from \$ '000	Held as restricted asset \$ '000	Cumulative internal borrowings due/(payable) \$ '000
Development Contribution Plan	154	5	–	3	–	–	162	–
Service Plan # 2	466	1	–	11	–	–	478	–
S7.11 contributions – under a plan	620	6	–	14	–	–	640	–
Total S7.11 and S7.12 revenue under plans	620	6	–	14	–	–	640	–
Total contributions	620	6	–	14	–	–	640	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN 1

Development Contribution Plan	154	5	–	3	–	–	162	–
Service Plan # 2	466	1	–	11	–	–	478	–
Total	620	6	–	14	–	–	640	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Result by fund

	General ¹ 2020 \$ '000	Water 2020 \$ '000	Sewer 2020 \$ '000
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	6,029	1,184	1,609
User charges and fees	6,296	1,502	–
Interest and investment revenue	340	186	60
Other revenues	975	1	1
Grants and contributions provided for operating purposes	10,270	19	18
Grants and contributions provided for capital purposes	5,399	1,608	1,293
Net gains from disposal of assets	80	–	–
Rental income	51	–	–
Total income from continuing operations	29,440	4,500	2,981
Expenses from continuing operations			
Employee benefits and on-costs	7,230	1,143	417
Borrowing costs	206	–	–
Materials and contracts	7,832	68	(41)
Depreciation and amortisation	7,454	701	786
Other expenses	2,624	573	191
Share of interests in joint ventures and associates using the equity method	102	–	–
Total expenses from continuing operations	25,448	2,485	1,353
Operating result from continuing operations	3,992	2,015	1,628
Net operating result for the year	3,992	2,015	1,628
Net operating result attributable to each council fund	3,992	2,015	1,628
Net operating result for the year before grants and contributions provided for capital purposes	(1,407)	407	335

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Result by fund (continued)

	General ¹ 2020 \$ '000	Water 2020 \$ '000	Sewer 2020 \$ '000
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	(1,372)	9,154	2,631
Investments	18,005	–	–
Receivables	4,078	1,082	386
Inventories	202	–	–
Other	213	–	–
Total current assets	21,126	10,236	3,017
Non-current assets			
Infrastructure, property, plant and equipment	386,451	33,205	22,538
Investments accounted for using the equity method	1,359	–	–
Intangible assets	184	–	–
Total non-current assets	387,994	33,205	22,538
TOTAL ASSETS	409,120	43,441	25,555
LIABILITIES			
Current liabilities			
Payables	3,512	23	43
Contract liabilities	1,056	–	–
Borrowings	262	–	–
Provisions	2,212	–	–
Total current liabilities	7,042	23	43
Non-current liabilities			
Borrowings	4,032	–	–
Provisions	2,720	–	–
Total non-current liabilities	6,752	–	–
TOTAL LIABILITIES	13,794	23	43
Net assets	395,326	43,418	25,512
EQUITY			
Accumulated surplus	44,193	19,101	6,778
Revaluation reserves	351,133	24,317	18,734
Council equity interest	395,326	43,418	25,512
Total equity	395,326	43,418	25,512

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(643)	(2.25)%	(6.83)%	1.33%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	28,541				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	18,234	49.49%	49.70%	58.80%	>60.00%
Total continuing operating revenue ¹	36,841				
3. Unrestricted current ratio					
Current assets less all external restrictions	19,413	3.61x	7.19x	7.93x	>1.50x
Current liabilities less specific purpose liabilities	5,385				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	8,504	18.86x	16.25x	16.94x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	451				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,207	12.10%	10.87%	9.85%	<10.00%
Rates, annual and extra charges collectible	9,976				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	28,418	15.55	17.86	16.28	>3.00
Monthly payments from cash flow of operating and financing activities	1,828	mths	mths	mths	mths

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(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}	(5.78)%	(14.93)%	14.07%	29.88%	19.85%	24.84%	>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	46.63%	44.39%	63.84%	81.16%	56.02%	57.84%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.61x	7.19x	445.04x	∞	70.16x	∞	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	13.91x	10.15x	∞	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.89%	5.94%	35.56%	32.44%	16.35%	16.94%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	11.03 mths	13.41 mths	44.20 mths	47.90 mths	23.33 mths	25.09 mths	>3.00 mths
Payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note 28 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 29. Financial review

	2020 \$ '000	2019 \$ '000	2018 \$ '000	2017 \$ '000	2016 \$ '000
Key financial figures of Council over the past 5 years					
Inflows:					
Rates and annual charges revenue	8,822	8,635	8,265	7,762	7,762
User charges revenue	7,798	5,422	6,759	4,155	4,155
Interest and investment revenue (losses)	586	886	765	839	839
Grants income – operating and capital	15,146	10,992	9,328	9,439	9,439
Total income from continuing operations	36,921	33,994	28,400	25,123	25,123
Sale proceeds from I,PP&E	279	440	710	39	39
New loan borrowings and advances	–	–	–	2,936	–
Outflows:					
Employee benefits and on-cost expenses	8,790	9,280	8,791	7,945	7,945
Borrowing costs	206	216	191	57	57
Materials and contracts expenses	7,859	5,464	6,573	4,617	4,617
Total expenses from continuing operations	29,286	27,534	26,419	22,994	22,994
Total cash purchases of I,PP&E	15,711	11,288	10,465	6,625	6,625
Total loan repayments (incl. finance leases)	245	240	286	169	169
Operating surplus/(deficit) (excl. capital income)	(665)	(84)	476	601	601
Financial position figures					
Current assets	34,379	34,146	33,272	30,320	30,320
Current liabilities	7,108	4,381	4,391	4,423	4,423
Net current assets	27,271	29,765	28,881	25,897	25,897
Available working capital (Unrestricted net current assets)	4,884	5,474	8,216	9,646	9,646
Cash and investments – unrestricted	4,337	4,633	5,297	9,405	9,405
Cash and investments – internal restrictions	10,583	11,199	10,767	6,660	6,660
Cash and investments – total	28,418	30,327	28,281	26,134	26,134
Total borrowings outstanding (Loans, advances and finance leases)	4,294	4,539	4,779	1,016	1,016
Total value of I,PP&E (excl. land and earthworks)	473,938	447,222	432,236	351,938	351,938
Total accumulated depreciation	234,023	223,148	214,659	177,381	177,381
Indicative remaining useful life (as a % of GBV)	51%	50%	50%	50%	50%

Source: published audited financial statements of Council (current year and prior year)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30. Council information and contact details

Principal place of business:

26-28 Adelaide Street
Wentworth NSW 2648

Contact details

Mailing Address:

PO Box 81
Wentworth NSW 2648

Opening hours:

8:30am - 5:00pm
Monday to Friday

Telephone: 03 5027 5027

Facsimile: 03 5027 5000

Internet: www.wentworth.nsw.gov.au

Email: council@wentworth.nsw.gov.au

Officers

General Manager

Ken Ross

Elected members

MAYOR

Melisa Hederics

Responsible Accounting Officer

Simon Rule

COUNCILLORS

Tim Elstone

Greg Evans

Steve Heywood

Jane MacAllister

Don McKinnon

Susan Nichols

Peter Nunan

Bill Wheeldon

Public Officer

Simon Rule

Auditors

Audit Office of NSW
Darling Park Tower 2, Level 19
201 Sussex Street
Sydney NSW 2000

Other information

ABN: 96 283 886 815



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Wentworth Shire Council

To the Councillors of Wentworth Shire Council

Opinion

I have audited the accompanying financial statements of Wentworth 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 22 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Manuel Moncada

Delegate of the Auditor-General for New South Wales

20 November 2020
SYDNEY



Cr Susan Nichols
Mayor
Wentworth Shire Council
PO Box 81
WENTWORTH NSW 2648

Contact: Manuel Moncada
Phone no: 02 9275 7333
Our ref: D2027135/1806

20 November 2020

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Wentworth 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	8.82	8.64	↑ 2.1
Grants and contributions revenue	18.61	16.26	↑ 14.5
Operating result from continuing operations	7.64	6.46	↑ 18.3
Net operating result before capital grants and contributions	(0.67)	(0.08)	↓ 737.5

Council's operating result (\$7.64 million including the effect of depreciation and amortisation expense of \$8.94 million) was \$1.18 million higher than the 2018–19 result. This was mainly due to an increase in revenue from RMS charges of \$2.22 million and an increase in revenue from grants and contributions of \$2.35 million. This was offset by increased operating expenditure of \$1.65 million and a reduction in income from the recognition of Council's share of the net assets of the Far South West Joint Organisation (FSWJO) which was first accounted for in 2018-19.

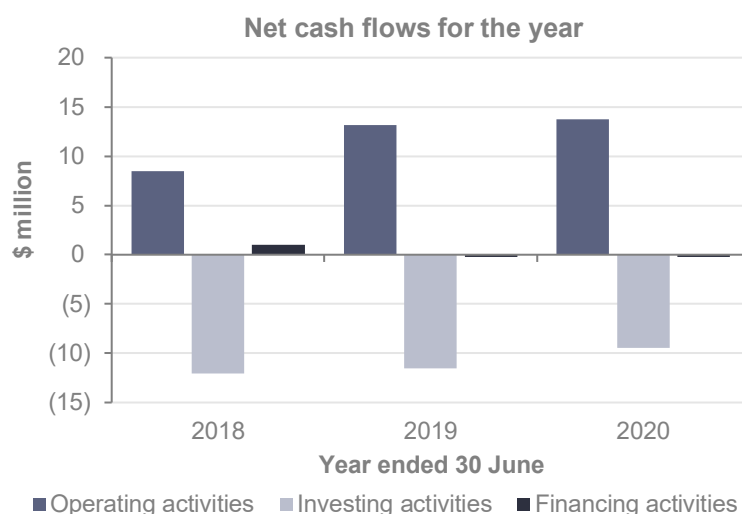
The net operating result before capital grants and contributions (deficit of \$665,000) was \$581,000 lower than the 2018–19 result.

Rates and annual charges revenue (\$8.82 million) increased by \$187,000 (2.2 per cent) in 2019–2020.

Grants and contributions revenue (\$18.61 million) increased by \$2.35 million (14.5 per cent) in 2019–2020. This was primarily due to the recognition of increased capital grant revenue relating to water supply and aerodrome projects.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$4.1 million to \$10.4 million at the close of the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	13.5	14.5	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants and contributions, and water and sewerage funds. 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.
Internal restrictions	10.6	11.2	
Unrestricted	4.3	4.6	
Cash and investments	28.4	30.3	

Debt

After repaying principal and interest of \$451,000, total debt as at 30 June 2020 was \$4.3 million (2018: \$4.5 million).

PERFORMANCE

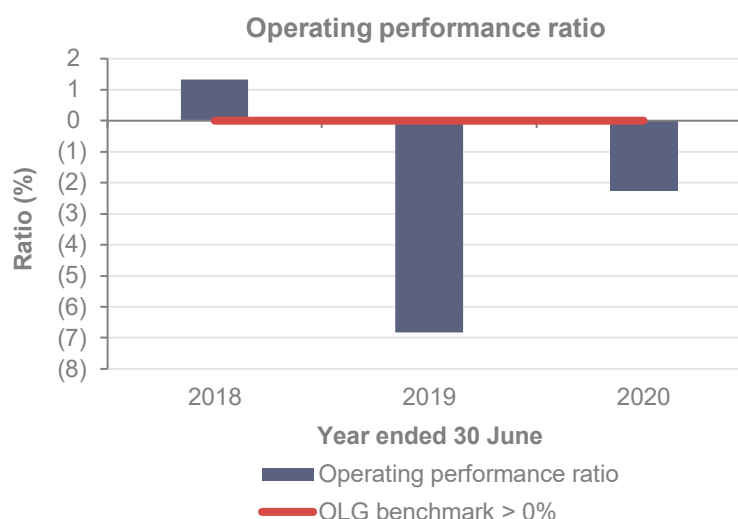
Performance measures

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.

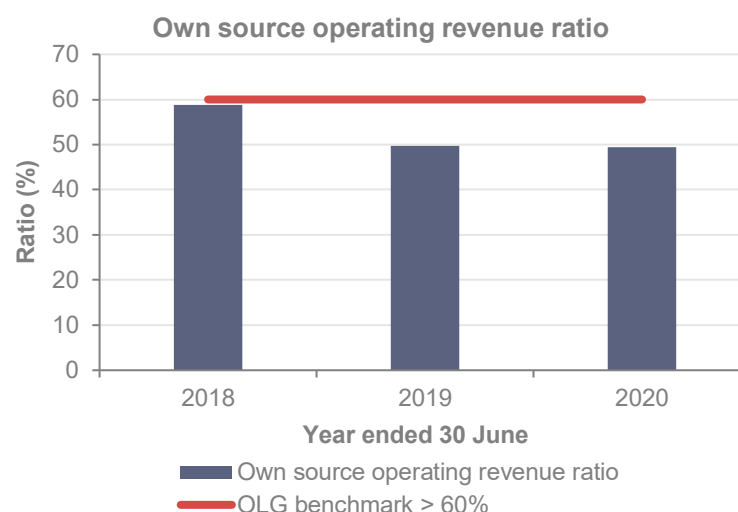
The Council did not meet the OLG benchmark for the current reporting period.



Own source operating revenue ratio

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

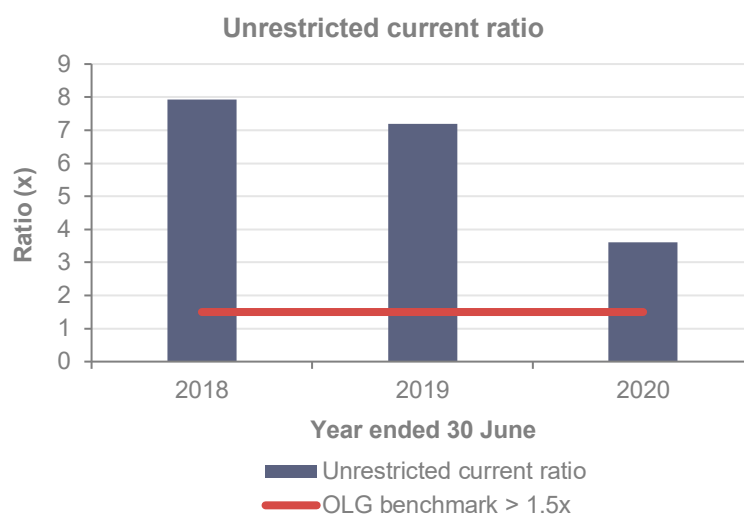
The Council did not meet the OLG benchmark for the current reporting period.



Unrestricted current ratio

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

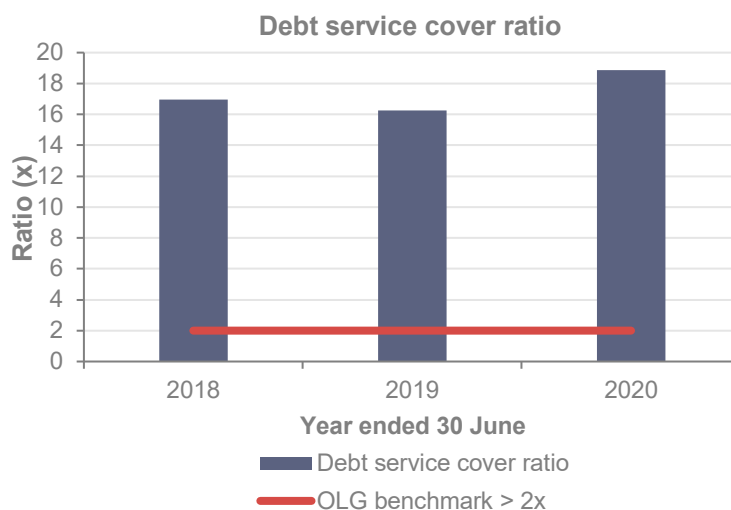
The Council exceeded the OLG benchmark for the current reporting period.



Debt service cover ratio

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

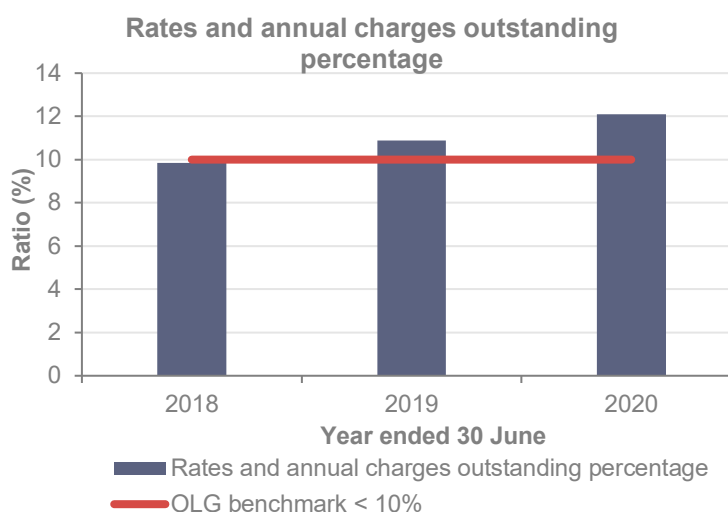
The Council exceeded the OLG benchmark for the current reporting period.



Rates and annual charges outstanding percentage

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

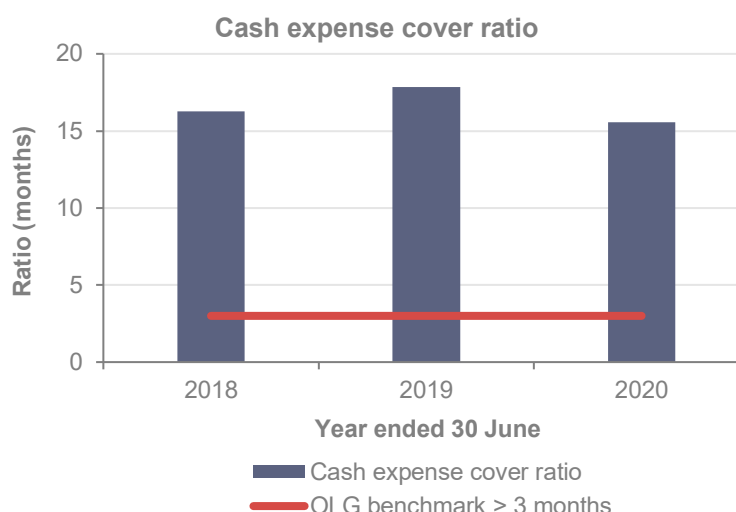
The Council did not meet the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$14.9 million compared \$7.7 million for the prior year
- The level of asset renewals during the year represented 167 percent of the total depreciation expense (\$8.9 million) for the year.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

The Council recognised a \$561,000 adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

AASB 16 'Leases'

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

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

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

There was no monetary impact on Council's financial statements 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.



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

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

Wentworth 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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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).

Wentworth Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

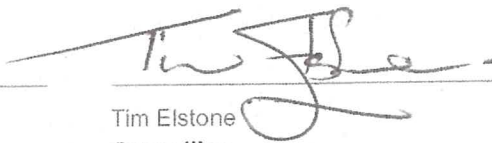
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 21 October 2020.



Melisa Hederics
Mayor
21 October 2020



Tim Elstone
Councillor
21 October 2020



Ken Ross
General Manager
21 October 2020



Simon Rule
Responsible Accounting Officer
21 October 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

	2020 \$ '000	2019 \$ '000
Income from continuing operations		
Access charges	1,184	1,156
User charges	1,411	1,463
Fees	91	38
Interest	186	240
Grants and contributions provided for non-capital purposes	19	213
Other income	1	2
Total income from continuing operations	2,892	3,112
Expenses from continuing operations		
Employee benefits and on-costs	584	548
Materials and contracts	879	624
Depreciation, amortisation and impairment	701	658
Water purchase charges	6	–
Other expenses	315	351
Total expenses from continuing operations	2,485	2,181
Surplus (deficit) from continuing operations before capital amounts	407	931
Grants and contributions provided for capital purposes	1,608	460
Surplus (deficit) from continuing operations after capital amounts	2,015	1,391
Surplus (deficit) from all operations before tax	2,015	1,391
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(112)	(256)
SURPLUS (DEFICIT) AFTER TAX	1,903	1,135
Plus accumulated surplus	17,086	15,695
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	112	256
Closing accumulated surplus	19,101	17,086
Return on capital %	1.2%	3.0%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	1,903	1,135
Less: capital grants and contributions (excluding developer contributions)	(1,542)	–
Surplus for dividend calculation purposes	361	1,135
Potential dividend calculated from surplus	181	567

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

	2020 \$ '000	2019 \$ '000
Income from continuing operations		
Access charges	1,609	1,541
User charges	–	104
Interest	60	81
Grants and contributions provided for non-capital purposes	18	17
Other income	1	–
Total income from continuing operations	1,688	1,743
Expenses from continuing operations		
Employee benefits and on-costs	217	204
Materials and contracts	225	216
Depreciation, amortisation and impairment	786	760
Other expenses	125	129
Total expenses from continuing operations	1,353	1,309
Surplus (deficit) from continuing operations before capital amounts	335	434
Grants and contributions provided for capital purposes	1,293	1,241
Surplus (deficit) from continuing operations after capital amounts	1,628	1,675
Surplus (deficit) from all operations before tax	1,628	1,675
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(92)	(119)
SURPLUS (DEFICIT) AFTER TAX	1,536	1,556
Plus accumulated surplus	5,150	3,475
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	92	119
Closing accumulated surplus	6,778	5,150
Return on capital %	1.5%	2.1%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	1,536	1,556
Less: capital grants and contributions (excluding developer contributions)	(987)	(558)
Surplus for dividend calculation purposes	549	998
Potential dividend calculated from surplus	274	499

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

	2020 \$ '000	2019 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	9,154	8,710
Receivables	1,082	1,289
Total current assets	10,236	9,999
Non-current assets		
Infrastructure, property, plant and equipment	33,205	31,119
Total non-current assets	33,205	31,119
TOTAL ASSETS	43,441	41,118
LIABILITIES		
Current liabilities		
Payables	23	–
Total current liabilities	23	–
TOTAL LIABILITIES	23	–
NET ASSETS	43,418	41,118
EQUITY		
Accumulated surplus	19,101	17,086
Revaluation reserves	24,317	24,032
TOTAL EQUITY	43,418	41,118

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

	2020 \$ '000	2019 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	2,631	2,739
Receivables	386	508
Total current assets	3,017	3,247
Non-current assets		
Infrastructure, property, plant and equipment	22,538	20,472
Total non-current assets	22,538	20,472
TOTAL ASSETS	25,555	23,719
LIABILITIES		
Current liabilities		
Payables	43	–
Total current liabilities	43	–
TOTAL LIABILITIES	43	–
NET ASSETS	25,512	23,719
EQUITY		
Accumulated surplus	6,778	5,150
Revaluation reserves	18,734	18,569
TOTAL EQUITY	25,512	23,719

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. Wentworth Shire Council Combined Water Supplies

Comprising the whole of the operations and net assets of Council's water supply activities servicing the towns of Wentworth, Dareton, Gol Gol, Pooncarie and Buronga, which is established as a separate Special Rate Fund.

b. Wentworth Shire Council Combined Sewerage Service

Comprising the whole of the operations and net assets of Council's sewerage reticulation and treatment activities servicing the towns of Wentworth, Dareton, Gol Gol, Pooncarie and Buronga, which is established as a Special Rate Fund.

Category 2

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

Nil

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

Note 1. Significant Accounting Policies (continued)

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

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

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

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

The payment of taxation equivalent charges, referred to in the 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.

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

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Wentworth Shire Council

To the Councillors of Wentworth Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Manuel Moncada

Delegate of the Auditor-General for New South Wales

20 November 2020
SYDNEY

Wentworth Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

Special Schedules

for the year ended 30 June 2020

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Special Schedules

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Background

These Special Schedules have been designed to meet the requirements of special purpose users such as:

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS)
- the NSW Office of Water (NOW), and
- the Office of Local Government (OLG)

The financial data is collected for various uses including:

- the allocation of Financial Assistance Grants,
- the incorporation of Local Government financial figures in national statistics,
- the monitoring of loan approvals
- the allocation of borrowing rights, and
- the monitoring of the financial activities of specific services

Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2019/20 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	5,271	5,146
Plus or minus adjustments ²	b	54	106
Notional general income	c = a + b	5,325	5,252
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	138	142
Sub-total	k = (c + g + h + i + j)	5,463	5,394
Plus (or minus) last year's carry forward total	l	122	—
Less valuation objections claimed in the previous year	m	—	(1)
Sub-total	n = (l + m)	122	(1)
Total permissible income	o = k + n	5,585	5,393
Less notional general income yield	p	5,462	5,271
Catch-up or (excess) result	q = o - p	123	121
Carry forward to next year ⁶	t = q + r + s	123	121

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

Wentworth Shire Council

To the Councillors of Wentworth Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

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

Manuel Moncada

Delegate of the Auditor-General for New South Wales

20 November 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to 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
Buildings	Buildings	1,717	1,717	400	391	—	71,538	40.0%	35.0%	20.0%	5.0%	0.0%
	Sub-total	1,717	1,717	400	391	33,354	71,538	40.0%	35.0%	20.0%	5.0%	0.0%
Other structures	Other structures	154	154	5	4	3,480	5,314	30.0%	50.0%	15.0%	5.0%	0.0%
	Sub-total	154	154	5	4	3,480	5,314	30.0%	50.0%	15.0%	5.0%	0.0%
Roads	Sealed roads	4,439	4,439	800	592	84,777	184,950	35.0%	50.0%	10.0%	5.0%	0.0%
	Unsealed roads	202	202	1,335	1,064	4,946	5,606	20.0%	20.0%	20.0%	20.0%	20.0%
	Bridges	442	442	5	1	6,948	12,632	40.0%	50.0%	5.0%	5.0%	0.0%
	Footpaths	75	75	193	132	2,973	6,215	45.0%	45.0%	8.0%	2.0%	0.0%
	Bulk earthworks	—	—	—	—	190,611	190,611	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	5,158	5,158	2,333	1,789	290,254	400,014	66.1%	25.7%	5.2%	2.8%	0.3%
Water supply network	Water supply network	9,355	9,355	407	488	—	56,698	15.0%	40.0%	15.0%	20.0%	10.0%
	Sub-total	9,355	9,355	407	488	29,904	56,698	15.0%	40.0%	15.0%	20.0%	10.0%
Sewerage network	Sewerage network	3,662	—	250	139	—	46,646	15.0%	20.0%	45.0%	5.0%	15.0%
	Sub-total	3,662	—	250	139	18,701	46,646	15.0%	20.0%	45.0%	5.0%	15.0%
Stormwater drainage	Stormwater drainage	318	318	111	107	—	24,482	25.0%	55.0%	18.0%	2.0%	0.0%
	Sub-total	318	318	111	107	14,816	24,482	25.0%	55.0%	18.0%	2.0%	0.0%
Open space / recreational assets	Swimming pools	513	513	58	71	1,919	3,019	0.0%	0.0%	70.0%	30.0%	0.0%
	Playgrounds	31	31	9	16	—	662	30.0%	35.0%	25.0%	7.0%	3.0%
	Sub-total	544	544	67	87	1,919	3,681	5.4%	6.3%	61.9%	25.9%	0.5%

Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to 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
Other infrastructure assets	Weir, Wharf Banks	542	542	112	8	–	13,386	35.0%	55.0%	5.0%	5.0%	0.0%
	Sub-total	542	542	112	8	10,640	13,386	35.0%	55.0%	5.0%	5.0%	0.0%
TOTAL - ALL ASSETS		21,450	17,788	3,685	3,013	403,068	621,759	51.6%	29.5%	11.7%	4.9%	2.2%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	7,843	103.05%	73.58%	58.53%	>=100.00%
Depreciation, amortisation and impairment	7,611				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	21,450	5.32%	5.59%	6.83%	<2.00%
Net carrying amount of infrastructure assets	403,068				
Asset maintenance ratio					
Actual asset maintenance	3,013	81.76%	98.32%	79.91%	>100.00%
Required asset maintenance	3,685				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	17,788	2.86%	3.71%	4.53%	
Gross replacement cost	621,759				

(*) 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

\$ '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	113.78%	90.35%	7.58%	0.00%	104.33%	0.00%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	2.38%	2.71%	31.28%	30.00%	19.58%	20.00%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	78.80%	97.39%	119.90%	126.32%	55.60%	64.08%	>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	1.63%	1.90%	16.50%	16.44%	0.00%	7.86%	
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.