

Glen Innes Severn Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

"Embracing Change, Building on History"



Glen Innes Severn Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

"Embracing Change, Building on History"



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

265 Grey Street
Glen Innes NSW 2370

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.gisc.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.

Glen Innes Severn Council

General Purpose Financial Statements

for the year ended 30 June 2020

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (as amended)

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

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

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

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

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

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



Carol SPARKS

Mayor

24 September 2020



Craig BENNETT

General Manager

24 September 2020



Dianne NEWMAN

Deputy Mayor

24 September 2020



Anna WATT

Responsible Accounting Officer

24 September 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
11,563	Rates and annual charges	3a	11,390	11,135
3,571	User charges and fees	3b	3,319	3,874
6,264	Other revenues	3c	3,505	2,599
11,448	Grants and contributions provided for operating purposes	3d,3e	11,637	9,395
2,329	Grants and contributions provided for capital purposes	3d,3e	2,774	2,323
584	Interest and investment income	4	398	601
540	Net gains from the disposal of assets	6	—	—
216	Rental income	13e	177	—
36,515	Total income from continuing operations		33,200	29,927
Expenses from continuing operations				
8,784	Employee benefits and on-costs	5a	10,551	9,247
1,087	Borrowing costs	5b	887	897
11,426	Materials and contracts	5c	7,740	6,726
5,473	Depreciation and amortisation	5d	7,482	6,344
4,756	Other expenses	5e	4,364	4,189
—	Net losses from the disposal of assets	6	1,276	2,449
31,526	Total expenses from continuing operations		32,300	29,852
4,989	Operating result from continuing operations		900	75
4,989	Net operating result for the year		900	75
4,989	Net operating result attributable to council		900	75
2,660	Net operating result for the year before grants and contributions provided for capital purposes		(1,874)	(2,248)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		900	75
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	36,773	6,018
Total items which will not be reclassified subsequently to the operating result		36,773	6,018
Total other comprehensive income for the year		36,773	6,018
Total comprehensive income for the year		37,673	6,093
 Total comprehensive income attributable to Council		 37,673	 6,093

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	7,227	5,511
Investments	7(b)	13,400	17,000
Receivables	8	2,157	2,665
Inventories	9a	2,969	2,042
Contract assets	12a	502	—
Other	9b	9	22
Total current assets		26,264	27,240
Non-current assets			
Receivables	8	122	274
Infrastructure, property, plant and equipment	10	314,083	278,242
Investment property	11	170	170
Right of use assets	13a	814	—
Total non-current assets		315,189	278,686
Total assets		341,453	305,926
LIABILITIES			
Current liabilities			
Payables	14	1,937	3,944
Income received in advance	14	—	1,383
Contract liabilities	12b	2,755	—
Lease liabilities	13b	174	—
Borrowings	14	1,598	1,594
Provisions	15	2,347	2,346
Total current liabilities		8,811	9,267
Non-current liabilities			
Payables	14	175	7
Lease liabilities	13b	737	—
Borrowings	14	11,358	13,319
Provisions	15	4,269	4,543
Total non-current liabilities		16,539	17,869
Total liabilities		25,350	27,136
Net assets		316,103	278,790
EQUITY			
Accumulated surplus	16	146,988	146,448
Revaluation reserves	16	169,115	132,342
Council equity interest		316,103	278,790
Total equity		316,103	278,790

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		146,448	132,342	278,790	147,387	127,591	274,978
Correction of prior period errors		–	–	–	(1,014)	(1,267)	(2,281)
Changes due to AASB 1058 and AASB 15 adoption	16	(360)	–	(360)	–	–	–
Changes due to AASB 16 adoption	16	–	–	–	–	–	–
Restated opening balance		146,088	132,342	278,430	146,373	126,324	272,697
Net operating result for the year		900	–	900	75	–	75
Restated net operating result for the period		900	–	900	75	–	75
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	36,773	36,773	–	6,018	6,018
Other comprehensive income		–	36,773	36,773	–	6,018	6,018
Total comprehensive income		900	36,773	37,673	75	6,018	6,093
Equity – balance at end of the reporting period		146,988	169,115	316,103	146,448	132,342	278,790

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019 ¹
Cash flows from operating activities				
Receipts:				
11,563	Rates and annual charges		11,511	10,654
3,571	User charges and fees		2,127	3,664
584	Investment and interest revenue received		511	608
13,777	Grants and contributions		16,304	11,718
7,020	Other		5,847	4,724
Payments:				
(8,784)	Employee benefits and on-costs		(10,486)	(9,944)
(11,426)	Materials and contracts		(11,052)	(4,572)
(1,087)	Borrowing costs		(821)	(867)
–	Bonds, deposits and retention amounts refunded		(1)	(3)
(4,756)	Other		(6,138)	(4,992)
10,462	Net cash provided (or used in) operating activities	17b	7,802	10,990
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		3,600	–
540	Sale of infrastructure, property, plant and equipment		160	176
–	Deferred debtors receipts		–	246
Payments:				
(13,430)	Purchase of infrastructure, property, plant and equipment		(8,200)	(8,685)
(12,890)	Net cash provided (or used in) investing activities		(4,440)	(8,263)
Cash flows from financing activities				
Payments:				
(1,536)	Repayment of borrowings and advances		(1,536)	(1,487)
(70)	Lease liabilities (principal repayments)		(110)	–
(1,606)	Net cash flow provided (used in) financing activities		(1,646)	(1,487)
(4,034)	Net increase/(decrease) in cash and cash equivalents		1,716	1,240
5,511	Plus: cash and cash equivalents – beginning of year	17a	5,511	4,271
1,477	Cash and cash equivalents – end of the year	17a	7,227	5,511
13,400	plus: Investments on hand – end of year	7(b)	13,400	17,000
14,877	Total cash, cash equivalents and investments		20,627	22,511

(1) Please refer to Note 13 for Prior Period Adjustments

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 24 September 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity for the purpose of preparing these financial statements.

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

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

- Income statement
- Statement of cash flows
- Note 21 – Material budget variations

and are clearly marked.

COVID-19

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

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

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

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

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note 11
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (iii) estimated tip remediation provisions – refer Note 15
- (iv) employee benefit provisions – refer Note 15.

Significant judgements in applying the council's accounting policies

- (v) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service
- Australia Day Committee
- Australian Standing Stones Management Board
- Emmaville Mining Museum Committee
- Glen Innes and District Sports Council
- Minerama Committee
- Pinkett Recreation Reserve Management Committee
- Stonehenge Recreation Reserve Trust
- Emmaville War Memorial Hall Committee
- Open Space Committee
- Glen Elgin Federation Sports Committee

(b) The Trust Fund

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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 relies on volunteer service within Economic Affairs and Community Services. Council cannot measure the value of volunteer services reliably therefore volunteer services are not required to be recognised.

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.

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

AASB 1059 Service Concession Arrangements: Grantors

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

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

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

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

New accounting standards adopted during the year

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 16.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Administration	817	1,350	6,087	6,770	(5,270)	(5,420)	10	39	30,891	92,812
Community services and education	3,150	3,296	3,466	3,412	(316)	(116)	2,454	2,644	2,177	2,239
Economic affairs	2,437	1,511	2,399	2,197	38	(686)	1,695	299	4,120	491
Environment	2,415	2,233	1,474	1,353	941	880	–	9	17,829	12,499
General Purpose	9,790	9,395	112	7	9,678	9,388	2,900	2,876	–	–
Governance	6	2	440	480	(434)	(478)	–	–	–	–
Health	17	13	110	92	(93)	(79)	–	–	–	–
Housing and community amenities	297	359	392	591	(95)	(232)	12	60	–	–
Mining, manufacturing and construction	3,159	1,856	2,978	1,292	181	564	–	–	5,874	5,377
Public order and safety	762	212	1,857	824	(1,095)	(612)	4	–	88	296
Recreation and culture	1,566	937	2,489	2,599	(923)	(1,662)	1,379	762	17,245	1,839
Sewerage services	1,820	1,789	1,669	1,486	151	303	–	–	26,819	26,707
Transport and communication	4,582	4,248	6,447	6,231	(1,865)	(1,983)	3,555	3,296	203,519	130,895
Water supplies	2,382	2,726	2,380	2,518	2	208	25	25	32,891	32,771
Total functions and activities	33,200	29,927	32,300	29,852	900	75	12,034	10,010	341,453	305,926

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

Includes corporate support and other support services, engineering works, and any Council policy compliance.

Public order and safety

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

Health

Includes immunisation, food control, health centres etc.

Environment

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

Community services and education

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation - as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

Housing and community amenities

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

Water supplies

Includes provision of water services to the community.

Sewerage services

Includes provision of sewerage services to the community.

Recreation and culture

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

Mining, manufacturing and construction

Includes building control, quarries and pits, mineral resources, and abattoirs.

Transport and communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Economic affairs

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

General Purpose

Provide additional information about the objectives of each function or activity.

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	3,109	3,085
Farmland	1058 (1)	3,082	3,028
Business	1058 (1)	711	651
Less: pensioner rebates (mandatory)		(143)	(142)
Less: pensioner rebates (Council policy)		(117)	(116)
Rates levied to ratepayers		6,642	6,506
Pensioner rate subsidies received		112	105
Total ordinary rates		6,754	6,611
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	1,196	1,169
Water supply services	1058 (1)	1,129	1,100
Sewerage services	1058 (1)	1,654	1,611
Drainage	1058 (1)	316	309
Less: pensioner rebates (mandatory)		(76)	(75)
Less: pensioner rebates (Council policy)		(62)	(61)
Waste facility management levies	1058 (1)	363	363
Annual charges levied		4,520	4,416
Pensioner subsidies received:			
– Water		40	37
– Sewerage		39	36
– Domestic waste management		37	35
Total annual charges		4,636	4,524
TOTAL RATES AND ANNUAL CHARGES		11,390	11,135

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy for rates and charges

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

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

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

2019 accounting policy

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

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	1,133	1,452
Sewerage services	15 (2)	31	42
Waste management services (non-domestic)	15 (1)	436	250
Other	15 (2)	3	4
Total specific user charges		1,603	1,748
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	15 (1)	49	75
Private works – section 67	15 (2)	275	418
Regulatory/ statutory fees	15 (1)	67	60
Town planning	15 (1)	46	41
Total fees and charges – statutory/regulatory		437	594
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	15 (1)	147	146
Child care	15 (2)	187	161
Leaseback fees – Council vehicles		–	61
Saleyards	15 (1)	182	343
Swimming centres	15 (1) & 15 (2)	119	102
Quarries and gravel pits	15 (1) & (2)	598	678
Trade waste fees	15 (1)	43	33
Other	15 (1)	3	8
Total fees and charges – other		1,279	1,532
TOTAL USER CHARGES AND FEES		3,319	3,874

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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 leisure centre the fee is recognised on a straight-line basis over the expected life of membership.

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

2019 accounting policy

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

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – investment property		–	18
Rental income – other council properties (2019 only)	15 (2)	1	123
Fines	1058 (1)	13	81
Legal fees recovery – rates and charges (extra charges)	1058 (1)	63	–
Legal fees recovery – other	1058 (1)	29	32
Commissions and agency fees	15 (2)	27	32
Diesel rebate	1058 (1)	118	83
Recycling income (non-domestic)	15 (1)	39	54
Sales – general	1058 (1) & 15(1)	52	77
Aged and disabled	15 (1)	32	46
Insurance rebates and incentives	1058 (1)	65	50
Sales – quarries and gravel pits	15 (1)	2,499	1,122
Tourism sales	15 (1)	103	338
Found Assets		286	248
Other	1058 (1) & 15 (1)	178	295
<u>TOTAL OTHER REVENUE</u>		<u>3,505</u>	<u>2,599</u>

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

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

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

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

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

Accounting policy for other revenue

Where the revenue related to a contract with a 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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	1,409	1,412	–	–
Financial assistance – local roads component	1058 (1)	697	691	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	1,492	1,464	–	–
Financial assistance – local roads component	1058 (1)	741	718	–	–
Total general purpose		4,339	4,285	–	–
Specific purpose					
Water supplies	1058 (1)	–	–	25	25
Aerodromes	1058 (1)	–	–	100	–
Aged care	15 (2)	2,242	2,514	–	–
Child care	1058 (1)	81	65	–	–
Employment and training programs	1058 (1)	5	–	–	–
Library	1058 (1)	85	50	–	–
LIRS subsidy	1058 (1)	138	154	–	–
Noxious weeds		–	9	–	–
Recreation and culture	1058 (1) & (2)	432	–	861	751
Traffic route subsidy		–	38	–	–
Transport (roads to recovery)	1058 (1)	1,273	1,008	–	–
Transport (other roads and bridges funding)	1058 (1) & (2)	325	–	280	686
Aboriginal services	1058 (1)	44	43	–	–
Tourism and area promotion	1058 (1) & (2)	1,011	299	685	–
Town planning	1058 (1)	11	10	–	50
Youth services	1058 (1)	87	23	–	–
Other	1058 (1)	6	–	–	–
Animal	1058 (1)	4	–	–	–
Total specific purpose		5,744	4,213	1,951	1,512
Total grants		10,083	8,498	1,951	1,512
Grant revenue is attributable to:					
– Commonwealth funding		7,803	7,933	–	275
– State funding		1,917	565	1,157	1,237
– Other funding		363	–	794	–
		10,083	8,498	1,951	1,512

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	169	172
S 64 – water supply contributions		1058 (1)	–	–	2	28
S 64 – sewerage service contributions		1058 (1)	–	–	2	10
Total developer contributions – cash			–	–	173	210
Total developer contributions	26		–	–	173	210
Other contributions:						
Cash contributions						
Recreation and culture		1058 (1)	16	15	–	–
RMS contributions (regional roads, block grant)		1058 (1) & (2)	230	165	633	560
Sewerage (excl. section 64 contributions)		1058 (1)	–	–	13	8
Water supplies (excl. section 64 contributions)		1058 (1)	–	–	3	32
Aged and disabled		1058 (1) & (2) & 15	447	400	–	–
Child care		1058 (1)	10	17	–	–
Fire Protection		15 (1)	698	160	–	–
Library/learning centre		1058 (1)	37	35	1	1
Section 355 committees		1058 (1)	115	104	–	–
Street lighting			–	1	–	–
Youth Services		1058 (1)	1	–	–	–
Total other contributions – cash			1,554	897	650	601
Total other contributions			1,554	897	650	601
Total contributions			1,554	897	823	811
TOTAL GRANTS AND CONTRIBUTIONS			11,637	9,395	2,774	2,323

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

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

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

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

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

The performance obligations are varied based on the agreement. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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 over the life of the contract.

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

Grant income

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

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

Capital grant

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 acquisition of assets the revenue is recognised when the asset is acquired and controlled by Council.

Contribution

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 Assessments Act 1979*.

While Council generally incorporates these amounts as part of a Development Consents Order, such as developer contributions are only recognised as income upon receipt, 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

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

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

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	40	1,557
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	40
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(1,557)
Less: operating grants received in a previous reporting period now spent and recognised as income	(3)	–
Unexpended and held as externally restricted assets (operating grants)	37	40

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
Capital grants		
Unexpended at the close of the previous reporting period	–	345
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	–
Add: capital grants received for the provision of goods and services in a future period	–	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(345)
Less: capital grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (capital grants)	–	–
Contributions		
Unexpended at the close of the previous reporting period	598	434
Add: contributions recognised as income in the current period but not yet spent	–	164
Add: contributions received for the provision of goods and services in a future period	182	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
Less: contributions recognised in a previous reporting period now spent	–	–
Unexpended and held as externally restricted assets (contributions)	780	598

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	56	41
– Overdue user fees and charges	6	4
– Cash and investments	336	556
Finance income on the net investment in the lease	–	–
Total Interest and investment income	398	601
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	285	30
General Council cash and investments	101	350
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	13	13
– Section 64	3	4
Water fund operations	(4)	96
Sewerage fund operations	–	108
Total interest and investment revenue	398	601

Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	8,391	7,323
Employee leave entitlements (ELE)	1,411	1,633
Superannuation	940	797
Workers' compensation insurance	158	55
Fringe benefit tax (FBT)	3	–
Protective clothing	10	9
Other	190	303
Total employee costs	11,103	10,120
Less: capitalised costs	(552)	(873)
TOTAL EMPLOYEE COSTS EXPENSED	10,551	9,247
Number of 'full-time equivalent' employees (FTE) at year end	129	124

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		–	–
Interest on loans		779	874
Charges relating to finance leases		30	1
Total interest bearing liability costs		809	875
Total interest bearing liability costs expensed		809	875
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	15	76	22
– Other liabilities		2	–
Total other borrowing costs		78	22
TOTAL BORROWING COSTS EXPENSED		887	897

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred.

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	7,296	6,249
Contractor and consultancy costs	209	241
Auditors remuneration ²	41	85
Legal expenses:		
Expenses from short-term leases (2020 only)	–	–
Expenses from leases of low value assets (2020 only)	–	–
Expenses from Peppercorn leases (2020 only)	–	–
– Legal expenses: planning and development	–	1
– Legal expenses: debt recovery	119	32
– Legal expenses: other	17	4
Variable lease expense relating to usage (2020 only)	(29)	–
Operating leases expense (2019 only):		
– Operating lease rentals: contingent rentals ¹	–	24
Section 355 committees	23	26
Security services	22	18
Valuation fees	42	46
Total materials and contracts	7,740	6,726
TOTAL MATERIALS AND CONTRACTS	7,740	6,726

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Buildings	26	26
Motor vehicles and plant	–	(2)
Other	(26)	–
	–	24

2. Auditor remuneration

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

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

Audit and review of financial statements	41	85
The remainder of the audit fee for 2017/2018 of \$42,000 was recognised as an expense in 2018/19. The total audit fees for 2018/19 were \$43,000.	–	(42)
Remuneration for audit and other assurance services	41	43

Total Auditor-General remuneration**Total Auditor remuneration**

41	43
41	43

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment	10	1,121	579
Office equipment		53	45
Furniture and fittings		17	17
Property, plant and equipment – leased		–	47
Infrastructure:	10		
– Buildings		981	970
– Other structures		301	210
– Roads (general)		2,321	2,319
– Roads (causeways)		83	84
– Roads (carparks)		16	17
– Bridges		565	560
– Footpaths		33	34
– Stormwater drainage		150	150
– Water supply network		519	517
– Sewerage network		467	460
– Swimming pools		47	49
– Other open space/recreational assets		52	40
– Kerb and gutter		155	155
– Major street furniture		55	45
Right of use assets	13	311	–
Other assets:			
– Library books		47	46
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	15,10	188	–
Total gross depreciation and amortisation costs		7,482	6,344
Total depreciation and amortisation costs		7,482	6,344
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT OF NON-FINANCIAL ASSETS		7,482	6,344

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

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

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

Impairment of non-financial assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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

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

\$ '000	2020	2019
(e) Other expenses		
Advertising	205	85
Training costs (other than salaries and wages)	153	201
Travel expenses	157	199
Annual rates and charges	286	298
Bad and doubtful debts	26	(52)
Bank charges	54	47
Cleaning	47	67
Computer software charges	519	611
Contributions/levies to other levels of government		
Contributions/levies to other levels of government	111	143
– Emergency services levy (includes FRNSW, SES, and RFS levies)	14	12
– NSW fire brigade levy	74	66
– NSW rural fire service levy	318	253
Councillor expenses – mayoral fee	51	50
Councillor expenses – councillors' fees	61	60
Councillors' expenses (incl. mayor) – other (excluding fees above)	29	20
Electricity and heating	557	551
Freight and cartage	300	10
Insurance	255	251
Lease fees and rentals	26	–
Photocopying	9	8
Postage	65	55
Printing and stationery	54	70
Promotions and trade fairs	100	155
Street lighting	109	128
Subscriptions and publications	134	231
Telephone and communications	208	131
Asset adjustments	(24)	201
Other	466	338
Total other expenses	4,364	4,189
TOTAL OTHER EXPENSES	4,364	4,189

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Less: carrying amount of property assets sold/written off		(1,196)	–
Net gain/(loss) on disposal		(1,196)	–
Plant and equipment	10		
Proceeds from disposal – plant and equipment		–	176
Less: carrying amount of plant and equipment assets sold/written off		–	(182)
Net gain/(loss) on disposal		–	(6)
Infrastructure	10		
Proceeds from disposal – infrastructure		160	–
Less: carrying amount of infrastructure assets sold/written off		(1)	(1,771)
Net gain/(loss) on disposal		159	(1,771)
Other Structures			
Less: carrying amount of Other Structures assets sold/written off		–	(312)
Net gain/(loss) on disposal		–	(312)
Buildings			
Less: carrying amount of Buildings assets sold/written off		–	(268)
Net gain/(loss) on disposal		–	(268)
Library			
Less: carrying amount of Library assets sold/written off		–	(38)
Net gain/(loss) on disposal		–	(38)
Other open space recreation assets			
Less: carrying amount of Other open space recreation assets sold/written off		–	(54)
Net gain/(loss) on disposal		–	(54)
Other sewer assets			
Less: carrying amount of Sewer assets sold/written off		(239)	–
Net gain/(loss) on disposal		(239)	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,276)	(2,449)

Accounting policy for disposal of assets

Gains and losses on disposals are determined by comparing proceeds with the 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 derecognised.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	7,227	5,511
Total cash and cash equivalents	7,227	5,511

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
b. 'Financial assets at amortised cost'	13,400	–	17,000	–
Total Investments	13,400	–	17,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	20,627	–	22,511	–
Financial assets at amortised cost				
Term deposits	13,400	–	17,000	–
Total	13,400	–	17,000	–

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
- 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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.

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

\$ '000	2020	2020	2019	2019
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	20,627	—	22,511	—
attributable to:				
External restrictions	11,487	—	9,739	—
Internal restrictions	8,851	—	9,640	—
Unrestricted	289	—	3,132	—
	20,627	—	22,511	—

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Details of restrictions		
External restrictions – included in liabilities		
Specific purpose unexpended grants – general fund (2020 only)	–	–
Specific purpose unexpended loans – general	165	1,209
Life choices funds held on behalf of clients	1,144	1,052
Specific purpose unexpended grants – water fund (2020 only)	–	–
Specific purpose unexpended grants – sewer fund (2020 only)	–	–
Life Choices Program - CHSP	115	–
Stronger Country Communities	–	–
Drought Country Communities	347	–
Grant Funding - Bridges	8	–
Economic Development	704	–
Trust funds	175	–
External restrictions – included in liabilities	2,658	2,261
External restrictions – other		
Developer contributions – general	780	598
Specific purpose unexpended grants (recognised as revenue) – general fund	37	40
Water supplies	2,654	3,000
Sewerage services	3,941	3,739
Glen Innes Aggregates	1,155	94
Council committees	262	–
External restrictions – other	8,829	7,478
Total external restrictions	11,487	9,739
Internal restrictions		
Building Fees - Bushfire Grant	34	–
CAFS Extension	–	15
CBD Signage Upgrade	–	50
Council committees	–	276
Drainage – Capital	–	192
Drainage – Operational	293	856
Economic	743	659
Employees leave entitlement	489	489
Infrastructure – Contingency	–	737
Infrastructure – Other	1,269	271
Life Choices	–	104
Parks	146	146
Plant and vehicle replacement	–	370
RFS - Projects	–	24
Special projects	1,901	1,934
Waste facility management	3,975	3,161
Youth Centre	–	80
Other	1	276
Total internal restrictions	8,851	9,640
TOTAL RESTRICTIONS	20,338	19,379

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	976	146	1,138	82
User charges and fees	913	–	1,101	–
Accrued revenues				
– Interest on investments	60	–	173	–
– Other income accruals	118	–	111	–
Net investment in finance lease	–	–	–	–
Net GST receivable	133	–	154	–
Other debtors	–	–	5	216
Total	2,200	146	2,682	298
Less: provision of impairment				
Rates and annual charges	(39)	(24)	(16)	(24)
User charges and fees	(4)	–	(1)	–
Total provision for impairment – receivables	(43)	(24)	(17)	(24)
TOTAL NET RECEIVABLES	2,157	122	2,665	274

Externally restricted receivables

Water supply

– Rates and availability charges	353	–	454	–
– Other	(1)	–	–	–

Sewerage services

– Rates and availability charges	119	–	115	–
Total external restrictions	471	–	569	–

Unrestricted receivables	1,686	122	2,096	274
TOTAL NET RECEIVABLES	2,157	122	2,665	274

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	41	65
– amounts already provided for and written off this year	–	(24)
Balance at the end of the year	41	41

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 presentation that a financial asset is in default when:

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

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

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

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

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

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

Receivables with a contractual amount of \$500.00 written off during the reporting period are still subject to enforcement activity.

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	359	–	299	–
Trading stock (Quarry & Visitor Information Stock)	2,610	–	1,743	–
Total inventories at cost	2,969	–	2,042	–
<u>TOTAL INVENTORIES</u>	<u>2,969</u>	<u>–</u>	<u>2,042</u>	<u>–</u>
(b) Other assets				
Prepayments	9	–	22	–
<u>TOTAL OTHER ASSETS</u>	<u>9</u>	<u>–</u>	<u>22</u>	<u>–</u>

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

	as at 30/06/19 ¹			Asset movements during the reporting period										as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Carrying Value of Fixed Assets	Transfers to right of use assets	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000																
Capital work in progress	288	—	288	—	1,480	—	—	(288)	—	—	—	—	—	1,480	—	1,480
Plant and equipment	11,899	(7,037)	4,862	749	121	—	(1,121)	—	(5)	128	—	—	—	12,889	(8,155)	4,734
Office equipment	303	(230)	73	—	2	—	(53)	—	—	—	—	—	—	305	(283)	22
Furniture and fittings	241	(178)	63	11	11	—	(17)	—	—	—	—	—	—	263	(195)	68
Plant and equipment (under finance lease)	562	(47)	515	—	—	—	—	—	10	—	(525)	—	—	—	—	—
Land:																
– Crown land	1,657	—	1,657	—	—	—	—	—	—	—	—	—	—	1,657	—	1,657
– Operational land	9,873	—	9,873	—	—	—	—	—	—	—	—	—	—	9,873	—	9,873
– Community land	2,975	—	2,975	—	—	—	—	—	—	25	—	—	—	3,000	—	3,000
Infrastructure:																
– Buildings	43,895	(24,156)	19,739	—	758	—	(981)	—	(13)	—	—	—	—	44,638	(25,135)	19,503
– Other structures	10,028	(5,902)	4,126	519	115	(19)	(301)	—	105	—	—	—	—	10,818	(6,273)	4,545
– Roads (general)	128,113	(34,917)	93,196	1,648	—	(445)	(2,321)	191	—	—	—	(6,440)	—	135,772	(49,943)	85,829
– Roads (causeways)	7,122	(4,134)	2,988	—	—	—	(83)	—	—	—	—	—	15	7,167	(4,247)	2,920
– Roads (carparks)	1,283	(338)	945	—	—	—	(16)	—	—	—	—	—	41	1,395	(426)	969
– Bridges	58,588	(22,409)	36,179	492	—	(446)	(565)	27	—	—	—	—	210	58,581	(22,684)	35,897
– Footpaths (road related)	3,144	(1,190)	1,954	119	10	(24)	(33)	—	—	—	—	—	1,314	4,544	(1,204)	3,340
– Bulk earthworks (non-depreciable)	24,845	—	24,845	—	—	—	—	—	—	—	—	—	39,863	64,708	—	64,708
– Stormwater drainage	13,889	(5,391)	8,498	—	—	5	(150)	—	—	—	—	—	2,138	17,589	(7,098)	10,491
– Water supply network	39,958	(13,676)	26,282	427	440	(234)	(519)	54	169	123	—	—	257	40,705	(13,706)	26,999
– Sewerage network	31,536	(9,757)	21,779	441	40	(239)	(467)	—	—	—	—	—	211	31,933	(10,168)	21,765
– Swimming pools	3,143	(1,319)	1,824	—	—	—	(47)	—	—	—	—	—	—	3,144	(1,367)	1,777
– Other open space/recreational assets (general)	3,324	(916)	2,408	299	117	(18)	(52)	16	(105)	—	—	—	—	3,562	(897)	2,665
– Other infrastructure (kerb and gutter)	12,941	(6,192)	6,749	—	40	—	(155)	—	—	—	—	(847)	—	11,330	(5,542)	5,788
– Other infrastructure (major street furniture)	2,236	(336)	1,900	—	257	—	(55)	—	—	10	—	—	11	2,516	(394)	2,122
Other assets:																
– Library books	935	(411)	524	39	3	(10)	(47)	—	—	—	—	—	—	957	(448)	509
Reinstatement, rehabilitation and restoration assets (refer Note 17):																
– Tip assets	4,000	—	4,000	—	—	—	(188)	—	(390)	—	—	—	—	3,610	(188)	3,422
Total Infrastructure, property, plant and equipment	416,778	(138,536)	278,242	4,744	3,394	(1,430)	(7,171)	—	(229)	286	(525)	(7,287)	44,060	472,436	(158,353)	314,083

(1) Please refer to Note 13 for Prior Period Adjustments

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19 ²		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements (details...)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	805	—	805	—	288	—	—	(620)	(185)	—	—	288	—	288
Plant and equipment	10,615	(6,899)	3,716	17	1,816	(182)	(579)	—	—	—	74	11,899	(7,037)	4,862
Office equipment	255	(179)	76	—	41	—	(45)	—	—	—	1	303	(230)	73
Furniture and fittings	221	(157)	64	—	9	—	(17)	6	—	—	1	241	(178)	63
Plant and equipment (under finance lease)	—	—	—	—	562	—	(47)	—	—	—	—	562	(47)	515
Land:														
– Operational land	9,851	—	9,851	—	—	—	—	—	(220)	—	243	9,873	—	9,873
– Community land	4,074	—	4,074	—	—	—	—	—	(1,181)	—	82	2,975	—	2,975
– Crown land	—	—	—	—	—	—	—	—	1,385	248	24	1,657	—	1,657
Infrastructure:														
– Buildings	42,912	(22,827)	20,085	261	160	(268)	(970)	—	—	—	471	43,895	(24,156)	19,739
– Other structures	9,910	(5,766)	4,144	58	28	(312)	(210)	328	—	—	90	10,028	(5,902)	4,126
– Roads	124,157	(33,059)	91,098	3,142	141	(1,136)	(2,319)	95	—	—	2,174	128,113	(34,917)	93,196
– Bridges	57,254	(21,618)	35,636	374	—	(147)	(560)	3	—	—	873	58,588	(22,409)	36,179
– Footpaths	2,842	(1,164)	1,678	157	134	(22)	(34)	—	—	—	40	3,144	(1,190)	1,954
– Bulk earthworks (non-depreciable)	23,634	—	23,634	550	43	—	—	32	—	—	585	24,845	—	24,845
– Stormwater drainage	13,518	(5,146)	8,372	86	—	(73)	(150)	59	—	—	204	13,889	(5,391)	8,498
– Water supply network	39,428	(13,001)	26,427	177	115	(332)	(517)	—	—	—	412	39,958	(13,676)	26,282
– Sewerage network	30,786	(9,144)	21,642	247	11	—	(460)	—	—	—	339	31,536	(9,757)	21,779
– Swimming pools	3,131	(1,301)	1,830	19	—	(20)	(49)	—	—	—	44	3,143	(1,319)	1,824
– Other open space/recreational assets	3,126	(1,091)	2,035	205	175	(34)	(40)	18	—	—	49	3,324	(916)	2,408
– Roads (causeways)	6,947	(3,948)	2,999	—	—	—	(84)	—	—	—	73	7,122	(4,134)	2,988
– Roads (carparks)	1,251	(313)	938	—	—	—	(17)	—	—	—	23	1,283	(338)	945
– Other infrastructure (kerb and gutter)	12,631	(5,906)	6,725	26	—	(22)	(155)	11	—	—	164	12,941	(6,192)	6,749
– Other infrastructure (major street furniture)	2,022	(291)	1,731	82	96	(38)	(45)	32	—	—	42	2,236	(336)	1,900
Other assets:														
– Library books	913	(386)	527	35	—	(39)	(46)	36	—	—	10	935	(411)	524
Reinstatement, rehabilitation and restoration assets (refer Note 17):														
– Tip assets	162	(162)	—	—	—	—	—	—	4,000	—	—	4,000	—	4,000
Total Infrastructure, property, plant and equipment	400,445	(132,358)	268,087	5,436	3,619	(2,625)	(6,344)	—	3,799	248	6,018	416,778	(138,536)	278,242

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

(2) Please refer to Note 13 for Prior Period Adjustments

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by 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 at significantly below fair value, 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 15	Playground equipment	5 to 15
Office furniture	5 to 20	Benches, seats etc.	10 to 20
Vehicles	5 to 10		
Plant	7 to 40	Buildings	
Heavy Plant	10 to 30	Buildings: masonry	50 to 100
		Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Reservoirs	25 to 150	Conduits	60 to 90
Reticulation pipes	90	Pits	90
Treatment Works	10 to 120		
Weirs	25 to 100	Other infrastructure assets	
Pump Stations	10 to 100	Bulk earthworks	Infinite
Bores	35 to 75	Swimming pools	50
Transportation assets		Other open space/recreational assets	20
Sealed roads: surface	15	Other infrastructure	20
Sealed roads: base	45	Monuments	100
Unsealed roads: surface	30		
Sub-base	Infinite		
Bridge: concrete	60 to 120		
Bridge: timber	60 to 100		
Kerb, gutter and footpaths	80		

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

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

Land under roads

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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.

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. Where the Crown reserves are under a lease arrangement they are accounted for under AASB *Leases*, refer to Note 13.

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

Rural Fire Service assets

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

Council did not recognise Rural Fire Services (RFS) assets, including land, buildings, plant and vehicles, due to lack of evidence of control over the economic benefits which are expected to flow from the assets.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Owned Investment property

\$ '000	2020	2019
Owned investment property		
Investment property on hand at fair value	170	170
Total owned investment property	170	170

(a) Reconciliation – owned investment property

Reconciliation of annual movement:

Opening balance	170	170
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	170	170

(b) Valuation basis (2019 only)

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2018 revaluations were based on independent assessments made by:

M J Williams API, FREAV, Registered Valuer 619, Certified Practicing Valuer.

\$ '000	2020	2019
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(c) Leasing arrangements – Council as lessor (2019 only)

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	–	18
Total minimum lease payments receivable	–	18

The lease by Jamesies Fuel and Fix on Council property commenced on 1/10/2018 and expires on 30/9/2020.

Monthly rental is currently \$1,692.14.

(d) Investment property income and expenditure – summary (2019 only)

Rental income from investment property:

– Minimum lease payments	–	18
Net revenue contribution from investment property	–	18

plus:

Total income attributable to investment property	–	18
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Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Changes in Fair Values are recorded in the Income Statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
(a) Contract assets			
Grant Contract Assets		439	—
Accrued Income		63	—
Total Contract assets		502	—
Internally restricted assets			
General Fund		502	—
Total internally restricted assets		502	—
Total restricted assets		502	—
Total contract assets		502	—
<hr/>			
\$ '000	Notes	2020 Current	2020 Non-current

(b) Contract liabilities**Grants and contributions received in advance:**

Unexpended capital grants (to construct Council controlled assets)	(i)	1,059	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	495	—
Unexpended capital contributions (to construct Council controlled assets)	(i)	—	—
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	—	—
Other unexpended operating grants and contributions		1,201	—
Total grants received in advance		2,755	—
Total contract liabilities		2,755	—

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.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

\$ '000	2020 Current	2020 Non-current
Total contract liabilities relating to restricted assets	—	—
Total contract liabilities relating to unrestricted assets	2,755	—
Total contract liabilities	2,755	—
\$ '000		2020

(ii) Revenue recognised (during the financial year) from opening contract liability balances

Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	361
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Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

\$ '000	2020 Current	2020 Non-current
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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 has leases over a range of assets including land and buildings, vehicles, machinery and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of lease

Terms and conditions of leases are detailed in the Lease Agreement. Council categorises leases into Buildings, Vehicles and Office and IT Equipment.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

Buildings

Council leases land and buildings for their corporate offices and other buildings; the leases are generally between 5 and 10 years and some of them include a renewal option to allow Council to renew for up to twice the noncancellable lease term at their discretion.

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

Vehicles

Council leases vehicles and equipment with lease terms varying from 5 to 10 years; the lease payments are fixed during the lease term and there is generally no renewal option.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 3 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

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

Potential future lease payments are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

\$ '000	Plant & Equipment	Total
(a) Right of use assets		
Opening balance at 30 June 2019	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	190	190
Adoption of AASB 16 at 1 July 2019 – transfer of IPP&E from Note 11(a)	525	525
Additions to right-of-use assets	416	416
Adjustments to right-of-use assets due to re-measurement of lease liability	(6)	(6)
Depreciation charge	(311)	(311)
Impairment of right-of-use assets	–	–
Other movement	–	–
<u>RIGHT OF USE ASSETS</u>	<u>814</u>	<u>814</u>

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	174	737
<u>TOTAL LEASE LIABILITIES</u>	<u>174</u>	<u>737</u>

(i) The maturity analysis

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	206	867	–	1,073	911

\$ '000	2020 Current	2020 Non-current
(ii) Lease liabilities relating to restricted assets		
Externally restricted assets		
Water	–	–
Sewer	–	–
Plant and Equipment	34	365
Lease liabilities relating to externally restricted assets	34	365
Internally restricted assets		
Other (enter details...)	–	–
Other (enter details...)	–	–
Lease liabilities relating to internally restricted assets	–	–
Total lease liabilities relating to restricted assets	34	365
Total lease liabilities relating to unrestricted assets	140	372
Total lease liabilities	174	737

\$ '000	2020
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(c) Income Statement

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

Interest on lease liabilities	–
Variable lease payments based on usage not included in the measurement of lease liabilities	(29)
Income from sub-leasing right of use assets	–
Depreciation of right of use assets	311
Impairment of right of use assets	–
Expenses relating to short-term leases	–
Expenses relating to low-value leases	–
Expenses relating to Peppercorn leases	–
Other	–
	282

(d) Statement of Cash Flows

Total cash outflow for leases	110
	110

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

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

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

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

Refer to Note 5c and Note 16.

(ii) Council as a lessor**(e) 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 investment property (refer note 12) and/or IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

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

\$ '000	2020
(i) Operating lease income	
Investment properties	
Lease income (excluding variable lease payments not dependent on an index or rate)	121
Lease income relating to variable lease payments not dependent on an index or a rate	–
Other lease income	
External plant and equipment hire	–
Room/Facility Hire	–
Leaseback fees - council vehicles	56

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	2020
Other	—
Total income relating to operating leases	177

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

	Plant & Equipment 2020
\$ '000	
\$ '000	2020

Accounting policy

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Prepaid rates	–	–	–	–
Goods and services – operating expenditure	1,442	–	3,827	–
Accrued expenses:				
– Borrowings	92	–	102	–
Security bonds, deposits and retentions	–	–	1	–
Prepaid rates	378	–	–	–
Other	25	175	14	7
Total payables	1,937	175	3,944	7
Income received in advance (2019 only)				
Payments received in advance	–	–	1,383	–
Total income received in advance	–	–	1,383	–
Borrowings				
Loans – secured ¹	1,598	11,358	1,524	12,968
Finance lease liabilities (2019 only)	–	–	70	351
Total borrowings	1,598	11,358	1,594	13,319
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,535</u>	<u>11,533</u>	<u>6,921</u>	<u>13,326</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	136	1,714	137	1,827
Sewer	180	1,034	171	1,203
Life Choices	–	–	1,052	–
Local infrastructure renewal scheme loan	–	–	798	3,509
Payables and borrowings relating to externally restricted assets	316	2,748	2,158	6,539
Total payables and borrowings relating to restricted assets	316	2,748	2,158	6,539
Total payables and borrowings relating to unrestricted assets	3,219	8,785	4,763	6,787
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,535</u>	<u>11,533</u>	<u>6,921</u>	<u>13,326</u>

\$ '000	2020	2019
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

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

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

Other liabilities	1,284	–
Total payables and borrowings	1,284	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	14,492	(1,536)	–	–	–	–	12,956
Lease liabilities	421	(421)	–	–	–	–	–
TOTAL	14,913	(1,957)	–	–	–	–	12,956

\$ '000	as at 30/06/18		Non-cash changes				as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement		Closing balance
Loans – secured	15,979	(1,487)	–	–	–		14,492
Lease liabilities	–	–	421	–	–		421
TOTAL	15,979	(1,487)	421	–	–		14,913

\$ '000	2020	2019
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(d) Financing arrangements

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

Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	115	115
Total financing arrangements	315	315

Drawn facilities as at balance date:

– Credit cards/purchase cards	30	22
Total drawn financing arrangements	30	22

Undrawn facilities as at balance date:

– Bank overdraft facilities	200	200
– Credit cards/purchase cards	85	93
Total undrawn financing arrangements	285	293

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

Loan liabilities are secured over the asset that were funded and future Council rates.

Leased liabilities are secured by the underlying leased assets.

Bank overdrafts

The bank overdraft of Council is secured by a charge over Council rates. Acceptance/Resolution by council of terms and conditions contained in the Letter of Offer and Statutory Declaration of General Manager.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	797	–	760	–
Long service leave	1,473	216	1,528	151
Other leave	77	1	58	2
Sub-total – aggregate employee benefits	2,347	217	2,346	153
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	4,052	–	4,390
Sub-total – asset remediation/restoration	–	4,052	–	4,390
TOTAL PROVISIONS	2,347	4,269	2,346	4,543

(a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

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

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

Provisions – employees benefits	1,284	1,340
	1,284	1,340

(c) Description of and movements in provisions

	ELE provisions			
\$ '000	Annual leave	Long service leave	Other employee benefits	Total
2020				
At beginning of year	760	1,679	60	2,499
Other	37	10	18	65
Total ELE provisions at end of year	797	1,689	78	2,564
2019				
At beginning of year	941	1,826	29	2,796
Amounts used (payments)	(181)	(147)	31	(297)
Total ELE provisions at end of year	760	1,679	60	2,499

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	4,390	4,390
Changes to provision:		
- Revised costs	(414)	(414)
Unwinding of discount	76	76
Total other provisions at end of year	4,052	4,052
2019		
At beginning of year	366	366
- Revised costs	4,002	4,002
Unwinding of discount	22	22
Total other provisions at end of year	4,390	4,390

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Self-insurance

Council does not self-insure.

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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

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

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

(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:

(ii) AASB 15 and AASB 1058

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

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

Costs incurred in fulfilling customer contracts

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

Revenue recognition from contract modifications

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

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

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

Principal v agent

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

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

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to

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)

recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

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

	Balance at 1 July 2019
\$ '000	
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 15	1,052
– Under AASB 1058	360
Total Contract liabilities	1,412

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-e ment	Carrying amount under previous revenue standards	Notes
\$ '000					

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-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	7,227	–	–	7,227	
Investments	13,400	–	–	13,400	
Receivables	2,157	502	–	2,659	
Inventories	2,969	–	–	2,969	
Contract assets	502	(502)	–	–	
Other	9	–	–	9	
Total current assets	26,264	–	–	26,264	
Current liabilities					
Payables	1,937	1,200	–	3,137	
Contract liabilities	2,755	(1,200)	(1,555)	–	
Lease liabilities	174	–	–	174	
Borrowings	1,598	–	–	1,598	
Provisions	2,347	–	–	2,347	
Total current liabilities	8,811	–	(1,555)	7,256	
Non-current assets					
Receivables	122	–	–	122	
Infrastructure, property, plant and equipment	314,083	–	–	314,083	
Investment property	170	–	–	170	
Right of use assets	814	–	–	814	
Total non-current assets	315,189	–	–	315,189	
Non-current liabilities					
Payables	175	–	–	175	
Lease liabilities	737	–	–	737	
Borrowings	11,358	–	–	11,358	
Provisions	4,269	–	–	4,269	
Total Non-current liabilities	16,539	–	–	16,539	
Net assets	316,103	–	1,555	317,658	
Equity					
Accumulated surplus	146,988	–	1,555	148,543	
Revaluation reserves	169,115	–	–	169,115	
Council equity interest	316,103	–	1,555	317,658	
Total equity	316,103	–	1,555	317,658	

Income Statement

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
<u>Income from continuing operations</u>					
Rates and annual charges	11,390	—	—	11,390	
User charges and fees	3,319	—	—	3,319	
Other revenues	3,505	—	—	3,505	
Grants and contributions provided for operating purposes	11,637	—	495	12,132	
Grants and contributions provided for capital purposes	2,774	—	1,060	3,834	
Interest and investment income	398	—	—	398	
Rental income	177	—	—	177	
Total Income from continuing operations	33,200	—	1,555	34,755	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	10,551	—	—	10,551	
Borrowing costs	887	—	—	887	
Materials and contracts	7,740	—	—	7,740	
Depreciation and amortisation	7,482	—	—	7,482	
Other expenses	4,364	—	—	4,364	
Net losses from the disposal of assets	1,276	—	—	1,276	
Total Expenses from continuing operations	32,300	—	—	32,300	
Total Operating result from continuing operations	900	—	1,555	2,455	
Net operating result for the year	900	—	1,555	2,455	
Total comprehensive income	37,673	—	1,555	39,228	

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	305,926	—	305,926
Contract liabilities	—	1,412	1,412
Income in Advance for Prior Years	1,052	(1,052)	—
Total liabilities	27,136	360	27,496
Accumulated surplus	146,448	(360)	146,088
Total equity	278,790	(360)	278,430

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**(iii) AASB 16 Leases****Council as a lessee**

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

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

Practical expedients used on transition

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

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

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$715,501 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 3.41%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	—
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	—
Add:	
Contracts not accounted for as operating lease commitments last year	190
Finance lease liabilities	525
Extension options reasonably certain to be exercised not included in the commitments note	—
Variable lease payments linked to an index	—
Other	—
Less:	
Short-term leases included in commitments note	—
Leases for low-value assets included in commitments note	—
Other	—
Lease liabilities recognised at 1 July 2019	715

Council as a lessor

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

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)

the underlying asset.

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	525	190	715
Total assets	–	190	190
Payables – accrued interest on leases (30/6/2019)	–	–	–
Leases	(421)	(190)	(611)
Total liabilities	–	(190)	(190)
Accumulated surplus	104	–	104
Total equity	–	–	380

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	7,227	5,511
Balance as per the Statement of Cash Flows		7,227	5,511

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

Net operating result from Income Statement	900	75
Adjust for non-cash items:		
Depreciation and amortisation	7,482	6,344
Net losses/(gains) on disposal of assets	1,276	2,449
Adoption of AASB 15/1058	(360)	–
Unwinding of discount rates on reinstatement provisions	76	22
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	634	(359)
Increase/(decrease) in provision for impairment of receivables	26	(24)
Decrease/(increase) in inventories	(927)	163
Decrease/(increase) in other current assets	13	37
Decrease/(increase) in contract assets	(502)	–
Increase/(decrease) in payables	(2,385)	1,991
Increase/(decrease) in accrued interest payable	(10)	8
Increase/(decrease) in other liabilities	(827)	579
Increase/(decrease) in contract liabilities	2,755	–
Increase/(decrease) in provision for employee benefits	65	(297)
Increase/(decrease) in other provisions	(414)	2

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information (continued)

\$ '000	2020	2019
Increase/(decrease) in contract cost assets	—	—
Increase/(decrease) in contract assets	—	—
Increase/(decrease) in contract liabilities	—	—
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	7,802	10,990

(c) Non-cash investing and financing activities

Acquisition of plant and equipment by means of finance leases (2019 only)	—	421
Total non-cash investing and financing activities	—	421

Note 18. Interests in other entities

Subsidiaries, joint arrangements and associates not recognised

New England Joint Organisation (NEJO)

The NEJO was established on 11 May 2018 and is a separately constituted entity pursuant to Part 7 (Sections 400O to 400ZH) of the Local Government Act (NSW) 1993, as amended, and the Local Government (General) Regulation 2008.

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

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

The Board of NEJO consists of:

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

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

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

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

In accordance with the Charter each member of the NEJO contributes annual fees towards the operation of the joint organisation. In 2019/2020 the contribution made by Glen Innes Severn Council was \$5,000.

New England Weeds Authority

New England Weeds Authority (NEWA) is the registered trading name of The New England Tablelands Noxious Plants County Council. NEWA is a single purpose Council which is a Local Control Authority for priority and invasive weeds under the NSW Biosecurity Act, 2015. The present area of operation of NEWA is the local government areas of Uralla Shire Council, Armidale Regional Council, Walcha Shire Council, and Glen Innes Severn Council (under a Memorandum of Understanding). These Councils are located in the Northern Tablelands region of New South Wales.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

The County Council's governance is in accordance with the Local Government Act 1993 (LGA 1993) with the Country Council first proclaimed in 1947.

NEWA is funded by contributions from its four Constituent Councils, grants and private works. Each Constituent Council has delegated its Noxious weeds control function to NEWA and contributes in accordance with NEWA's proclamation. NEWA's governing body consists of five Councillors elected by each of the Constituent Councils.

Council does not have control, joint control or significant influence over decision making or the overall activities of the organisation.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments

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

(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Bridges	404	355
Roads	19	126
Other	548	352
Total commitments	971	833

These expenditures are payable as follows:

Within the next year	971	833
Total payable	971	833

Sources for funding of capital commitments:

Unrestricted general funds	548	352
Externally restricted reserves	19	126
Unexpended loans	404	355
Total sources of funding	971	833

Details of capital commitments

Capital commitments relate to a range of capital items where purchase orders have been raised but invoices not received as at 30 June 2020.

(b) Finance lease commitments (2019 only)

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

\$ '000	2020	2019
Within the next year	—	74
Later than one year and not later than 5 years	—	424
Total minimum lease payments	—	498
Less: future finance charges	—	(76)
Amount recognised as a liability	—	422

(ii) Finance lease liability recognised represent:

\$ '000	2020	2019
Current liabilities	—	70
Non-current liabilities	—	352
Total finance lease liabilities disclosed	—	422

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments (continued)

(iii) General details

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

\$ '000	Term (years) 2020	Option to purchase 2020	Contingent rent clauses 2020	2020	2019
Heavy plant – carrying value	–	NO	NO	–	422
Total carrying value at period end				–	422

Additional details

The finance leases are for heavy plant and have a lease term of 5 years with fixed lease payments. The finance agreements are secured over the vehicles.

Refer to Note 13 for information relating to leases for 2020.

(c) Non-cancellable operating lease commitments (2019 only)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	–	100
Later than one year and not later than 5 years	–	187
Total non-cancellable operating lease commitments	–	287

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

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

The operating leases in place are for computer equipment and photocopiers. All operating lease agreements are secured only against the leased assets and are for terms ranging from two to four years. The leases generally have a CPI increase each year. No lease agreements impose any financial restrictions on council regarding future debt.

Refer to Note 13 for information relating to Leases.

Conditions relating to finance and operating leases:

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 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 future service employer contributions and past service employer contributions to the fund.

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 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 past service contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

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

There are no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

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 \$131,365.46. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2019.

The amount of additional contributions in the total employer contribution advised above is \$44,600.00. Council's expected contribution to the plan for the next annual reporting period is \$94,136.36.

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 0.11% as at 30 June 2020.

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

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

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

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed around November/December 2020.

(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 June 2020 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

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

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

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

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.

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019 ¹	Fair value 2020	Fair value 2019 ¹
Measured at amortised cost				
Cash and cash equivalents	7,227	5,511	7,226	5,511
Receivables	2,279	2,939	2,279	2,939
– 'Financial assets at amortised cost'	13,400	17,000	13,400	17,000
Payables	2,112	3,951	2,112	3,951
Loans/advances	12,956	14,492	12,956	14,492
Lease liabilities	911	–	911	421

(1) Please refer to Note 13 for Prior Period Adjustments

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	204	204	(204)	(204)
2019				
Possible impact of a 1% movement in interest rates	223	223	(223)	(223)

(b) Credit risk

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

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

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.

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

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

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

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

A profile of Council's receivables credit risk at balance date follows:

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	680	221	88	80	53	1,122
2019						
Gross carrying amount	206	365	183	274	192	1,220

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	320	530	153	133	88	1,224
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.00%	0.07%
ECL provision	–	–	–	–	1	1
2019						
Gross carrying amount	915	518	7	30	290	1,760
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.00%	0.16%
ECL provision	–	–	–	–	3	3

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.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	–	1,937	175	–	2,112	2,112
Loans and advances	5.73%	–	2,289	7,988	3,900	14,177	12,956
Lease liabilities	4.60%	–	–	–	–	–	–
Total financial liabilities		–	4,226	8,163	3,900	16,289	15,068
2019							
Trade/other payables	0.00%	–	3,944	7	–	3,951	3,951
Loans and advances	5.66%	–	2,302	8,378	9,547	20,227	14,492
Lease liabilities	4.60%	–	74	424	–	498	421
Total financial liabilities		–	6,320	8,809	9,547	24,676	18,864

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 27/06/2019 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	11,563	11,390	(173)	(1)% U
User charges and fees	3,571	3,319	(252)	(7)% U
Other revenues	6,264	3,505	(2,759)	(44)% U
This variance is accounted for predominately by Plant Hire income being accounted for under Engineering Department as an income offset, not moved to offset plant expenses. Glen Innes Aggregate internal aggregate removed from consolidated income.				
Operating grants and contributions	11,448	11,637	189	2% F
Capital grants and contributions	2,329	2,774	445	19% F
Grants were budgeted as Operating Grants but were actually Capital Grants. Stronger Country Community Grants and Netball Stadium Grant were in the original budget but not received during the year.				
Interest and investment revenue	584	398	(186)	(32)% U
Interest rates declined over the course of 2019/2020 financial year. Dividend income was budgeted for but not received.				
Net gains from disposal of assets	540	–	(540)	100% U
Sale of Anderson's building was budgeted in the 2019/2020 year but was not settled in current year.				
Rental income	216	177	(39)	(18)% U
This variance is due to Vehicle leaseback budgeted higher than actual income received.				
EXPENSES				
Employee benefits and on-costs	8,784	10,551	(1,767)	(20)% U
This variation is predominately due additional hours worked by Council employees during Bushfire and Disaster Recovery periods.				
Borrowing costs	1,087	887	200	18% F
The variance is account for predominately due to low interest rates budgeted for.				
Materials and contracts	11,426	7,740	3,686	32% F
This variation is predominately due to less Council works being undertaken due to Council employees attending to Bushfire and Disaster Recovery works and COVID restrictions.				
Depreciation and amortisation	5,473	7,482	(2,009)	(37)% U

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----
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This variation is due to Council transferring assets data to a new asset system, with more accurate data being utilised.

Other expenses	4,756	4,364	392	8%	F
Net losses from disposal of assets	–	1,276	(1,276)	∞	U

Council identified assets that needed to be removed from Council's asset registers and it was therefore necessary to write off these assets.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	10,462	7,802	(2,660)	(25)%	U
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The variation is due to additional expenditure during Bushfires and COVID-19 not budgeted for.

Cash flows from investing activities	(12,890)	(4,440)	8,450	(66)%	F
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A number of Capital projects were included in the original budget and subsequently removed throughout the year due to Bushfires and COVID-19.

Cash flows from financing activities	(1,606)	(1,646)	(40)	2%	U
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The variation is due to the change in reporting requirement of lease liabilities.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property
- 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

Recurring fair value measurements

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Investment property					
Jamesies Fuel and Fix	30/06/18	–	–	170	170
Total investment property		–	–	170	170
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/16	–	–	4,734	4,734
Office equipment	30/06/18	–	–	22	22
Furniture and fittings	30/06/18	–	–	68	68
- Crown Land		–	–	1,657	1,657
– Operational land	30/06/18	–	–	9,873	9,873
– Community land	30/06/18	–	–	3,000	3,000
Buildings	30/06/18	–	–	19,503	19,503
Other structures	30/06/18	–	–	4,545	4,545
– Roads (General)	30/06/20	–	–	85,829	85,829
– Roads (Causeways)	30/06/20	–	–	2,920	2,920
– Roads (Car Parks)	30/06/20	–	–	969	969
– Bridges	30/06/20	–	–	35,897	35,897
– Footpaths (Road Related)	30/06/18	–	–	3,340	3,340
– Bulk earthworks (non-depreciable)	30/06/18	–	–	64,708	64,708
– Stormwater drainage	30/06/20	–	–	10,491	10,491
– Water supply network	30/06/18	–	–	26,999	26,999
– Sewerage network	30/06/18	–	–	21,765	21,765
– Swimming pools	30/06/18	–	–	1,777	1,777
– Other open space/recreational assets (General)	30/06/18	–	–	2,665	2,665
– Other infrastructure (Kerb and Gutter)	30/06/20	–	–	5,788	5,788
– Other infrastructure (Major Street Furniture)	30/06/20	–	–	2,122	2,122
– Library books	30/06/16	–	–	509	509
Total infrastructure, property, plant and equipment		–	–	309,181	309,181

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

2019 \$ '000	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs ¹	Total ¹
2019					
\$ '000	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs ¹	Total ¹
Investment property					
Jamesies Fuel and Fix	30/06/18	–	170	–	170
Total investment property		–	170	–	170
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/16	–	–	5,377	5,377
Office equipment	30/06/18	–	–	73	73
Furniture and fittings	30/06/18	–	–	63	63
- Crown Land	03/11/20	–	–	–	–
– Operational land	30/06/18	–	–	9,873	9,873
– Community land	30/06/18	–	–	4,632	4,632
Buildings	30/06/18	–	–	19,739	19,739
Other structures	30/06/18	–	–	4,126	4,126
– Roads (General)	30/06/20	–	–	93,196	93,196
– Roads (Causeways)	30/06/20	–	–	2,988	2,988
– Roads (Car Parks)	30/06/20	–	–	945	945
– Bridges	30/06/18	–	–	36,179	36,179
– Footpaths (Road Related)	30/06/18	–	–	1,954	1,954
– Bulk earthworks (non-depreciable)	30/06/18	–	–	24,845	24,845
– Stormwater drainage	30/06/18	–	–	8,498	8,498
– Water supply network	30/06/18	–	–	26,282	26,282
– Sewerage network	30/06/18	–	–	21,779	21,779
– Swimming pools	30/06/18	–	–	1,824	1,824
– Other open space/recreational assets (General)	30/06/18	–	–	2,408	2,408
– Other infrastructure (Kerb and Gutter)	30/06/18	–	–	6,749	6,749
– Other infrastructure (Major Street Furniture)	30/06/18	–	–	1,900	1,900
– Library books	30/06/16	–	–	524	524
Total infrastructure, property, plant and equipment		–	–	273,954	273,954

(1) Please refer to Note 13 for Prior Period Adjustments

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

(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:

Investment property

Glen Innes Severn Council currently holds one investment property (known as Jamesies Fuel and Fix). Council obtains an independent valuation of its investment property on a regular basis and at the end of each reporting period the financial statements reflect the latest valuation.

The best evidence of Fair Value is the current price in an active market for similar assets. The following information is used where necessary;

- Current prices in an active market for different types of properties or similar properties in a less active market.
- Expected future rental income generated from the property based on a discounted cash flow.

The investment property held by Council has been valued with the Valuer using calculation techniques that are appropriate minimising unobservable inputs (namely level 2 inputs).

The property was valued by Mike Williams Valuations (Glen Innes Valuation Services) AAPI, FREAV, Registered Valuer 619, Certified Practicing Valuer.

There are no valuation changes from prior years.

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

Transportation assets

Transportation assets is a valuation class of asset for the purposes of AASB 13 *Fair Value Measurement* which combines following classes of assets from Note 11: roads, bridges, footpaths, bulk earthworks, stormwater drainage, kerb and gutter, major street furniture.

Transportation assets have been valued internally.

Council's pavement Asset Management System contains detailed dimensions and specification for all Council roads. Valuations for the road carriageway, comprising surface, pavement and formation were based on calculations carried out in 2010 utilising the in house NAMS PLUS Asset management system for detailed pavement information residing in Council's Pavement Management System Council fair values, road infrastructure assets using, Level 3 inputs at a component level.

The 'Cost Approach' is used to value transportation assets by componentising the assets into significant parts and then rolling up these component values to provide an overall asset valuation within Council's Asset System. In between full revaluations, Council undertakes annual indexation of stormwater drainage assets in accordance with the latest indices provided in the Rates Reference Manual issued by Crown Lands and Water (CLAW); and up-to-date ABS Road & Bridge construction index for all other transportation assets.

There were no changes in valuation technique from prior year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

Due to specialised nature and significant judgement involved, the transportation assets have been valued using unobservable Level 3 inputs which include:

- Unit rates per measurement basis (m2, m, etc)
- Useful life
- Asset Condition

Buildings

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

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

There were no changes in valuation technique from prior year.

Land

Land is valued externally. Council engaged Scott Fullarton Valuations Pty Ltd to perform a comprehensive valuation of its land as at 30 June 2018.

Land is a valuation class of asset for the purposes of AASB 13 *Fair Value Measurement* which combines following classes of assets from Note 11: Operational Land and Community Land.

Council's "Operational" land by definition has no special restriction other than those that may apply to any piece of land.

Council's "Community" land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition from the LG Act 1993 is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land. Indeed, Community Land cannot be sold; cannot be leased, licensed, or any other estate granted over the land for more than 21 years; and must have a plan of management for it.

Land has been valued at market value, having regard to the "highest and best use", after identifying all elements (restrictions) that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land's description and/or dimensions;
- Planning (zoning) and other constraints on development; and
- The potential for alternative use.

The criteria that highest and best use must meet are physical possibility, legal permissibility and financial feasibility. Implied within these criteria is the recognition of the contribution of that specific use to community environment or to community development goals, in addition to wealth maximisation of the individual property owner.

Council's community land has been zoned for public open space, conservation areas and other similar locality specific areas. Council has placed these zonings on their land and they, predominantly, only apply to Council owned land. These zonings are not representative of surrounding land uses and their level of development restrictions may not be considered normal in the open market. As a result of that, fair value of community land represents the cost to Council to acquire the property, i.e. in an open market situation, if it is considered feasible that these properties could be zoned similarly to surrounding use areas in the relatively near future (say 5 years) rather than at some remote future date.

There were no changes in valuation technique from prior year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

This class of assets was externally revalued by independent valuer, Andrew Nock AAPI (P&M) MAVAA, as at 30 June 2018.

Assets were valued using cost approach with a combination of depreciated replacement cost and market valuation techniques. Level 3 input was applied to most of the assets due to the significant professional judgment involved in determination of the obsolescence factor.

There were no changes in valuation technique from prior year.

Water and Sewerage assets

Council engaged APV Valuers & Asset Management, independent professional valuer firm, to perform a comprehensive revaluation of its water and sewerage supply network assets as at 30 June 2018.

Due to specialised nature of the assets all water and sewer network assets were valued using cost approach with the Level 3 input dominating the valuation.

Valuer applied significant judgement in determining following inputs into the valuation process:

- Unit rates
- Condition assessment and obsolescence
- Useful life.

Though previously Council valued this class of assets internally, the valuation technique has not changed.

Other Assets

Other Assets is a valuation class of asset for the purposes of AASB 13 *Fair Value Measurement* which combines following classes of assets from Note 11: Library Books and Tip Assets.

These assets are valued at depreciated historical 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 short useful life. Therefore, the main significant unobservable Level 3 input utilised in valuation is condition of the assets.

There were no changes in valuation technique from prior year.

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Operational land ¹	Community land
2019					
Opening balance	3,716	77	64	9,851	4,074
Prior period error correction	—	—	—	—	—
Transfers from/(to) another asset class	—	—	6	(220)	(1,165)
Purchases (GBV)	1,833	41	9	—	—
Disposals (WDV)	(182)	—	—	—	(16)
Depreciation and impairment	(579)	(45)	(17)	—	—
Revaluation	74	1	1	242	82
Closing balance	4,862	74	63	9,873	2,975
2020					
Opening balance	4,862	74	63	9,873	2,975
Prior period error correction	—	—	—	—	—
Transfers from/(to) another asset class	(5)	—	—	—	—

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Operational land ¹	Community land
Purchases (GBV)	870	2	22	–	–
Depreciation and impairment	(1,121)	(53)	(17)	–	–
Found Assets	128	–	–	–	25
Rounding	–	(1)	–	–	–
Closing balance	4,734	22	68	9,873	3,000

(1) Please refer to Note 13 for Prior Period Adjustments

\$ '000	Buildings ¹	Other structures	Roads	Bridges	Footpaths
2019					
Opening balance	21,289	4,143	93,377	35,636	1,678
Prior period error correction	–	–	–	–	–
Transfers from/(to) another asset class	–	328	95	3	–
Purchases (GBV)	421	86	3,283	374	291
Disposals (WDV)	(268)	(311)	(1,136)	(147)	(22)
Depreciation and impairment	(1,007)	(210)	(2,420)	(560)	(33)
Revaluation	500	90	2,270	873	40
Closing balance	20,935	4,126	95,469	36,179	1,954
2020					
Opening balance	20,935	4,126	95,469	36,179	1,954
Prior period error correction	(1,196)	–	1,660	–	–
Transfers from/(to) another asset class	(13)	105	191	–	–
Purchases (GBV)	758	634	1,648	519	129
Disposals (WDV)	–	(19)	(445)	(446)	(24)
Depreciation and impairment	(981)	(301)	(2,420)	(565)	(33)
Revaluation	–	–	(6,385)	210	1,314
Closing balance	19,503	4,545	89,718	35,897	3,340

\$ '000	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Swimming pools
2019					
Opening balance	23,634	8,372	26,427	21,642	1,830
Prior period error correction	–	–	–	–	–
Transfers from/(to) another asset class	32	59	–	–	–
Purchases (GBV)	594	86	292	258	19
Disposals (WDV)	–	(73)	(332)	–	(20)
Depreciation and impairment	–	(150)	(517)	(460)	(49)
Revaluation	585	204	412	339	44
Closing balance	24,845	8,498	26,282	21,779	1,824
2020					
Opening balance	24,845	8,498	26,282	21,779	1,824
Prior period error correction	–	–	–	–	–
Transfers from/(to) another asset class	–	–	169	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Swimming pools
Purchases (GBV)	—	—	921	481	—
Disposals (WDV)	—	5	(234)	(239)	—
Depreciation and impairment	—	(150)	(519)	(467)	(47)
Found Assets	—	—	123	—	—
Revaluation	39,863	2,138	257	211	—
Closing balance	64,708	10,491	26,999	21,765	1,777

\$ '000	Other infrastructure	Library books	Other open space rec assets	Crown Land	Total
2019					
Opening balance	8,457	528	2,035	—	267,635
Prior period error correction	—	—	—	—	—
Transfers from/(to) another asset class	43	36	18	—	(765)
Purchases (GBV)	204	35	380	—	12,206
Disposals (WDV)	(60)	(39)	(34)	—	(2,640)
Depreciation and impairment	(200)	(46)	(40)	—	(6,333)
Revaluation	206	10	49	—	6,022
Closing balance	8,650	524	2,408	—	276,125
2020					
Opening balance	8,650	524	2,408	—	276,125
Prior period error correction	—	—	—	—	(53)
Transfers from/(to) another asset class	—	—	(105)	1,657	1,711
Purchases (GBV)	297	42	432	—	8,235
Disposals (WDV)	—	(10)	(18)	—	(1,430)
Depreciation and impairment	(210)	(47)	(52)	—	(7,171)
Found Assets	10	—	—	—	286
Revaluation	(837)	—	—	—	36,381
Rounding	—	—	—	—	(1)
Closing balance	7,910	509	2,665	1,657	314,083

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

1. The valuation process for level 3 fair value measurements

Fair value Hierarchy

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

-Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

-Level 3 – Unobservable inputs for asset or liability.

Fair Value – Valuation techniques

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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

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

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

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

Valuation techniques used to derive Level 2 and Level 3 Fair Values:

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

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

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

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

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

- Pattern of consumption
- Residual Value
- Asset Condition
- Unit rates
- Useful life

(5) Highest and best use

Council's determined that current use of its assets are at 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:

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,410	1,048
Post-employment benefits	101	82
Total	1,511	1,130

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000					
2020					
Sale of Vehicle	–	–	Standard terms	–	–
Plumbing	95	–	Standard terms	–	–
Freight and delivery	16	–	Standard terms	–	–
2019					
Sale of Vehicle	5	–	Standard terms	–	–
Plumbing	40	–	Standard terms	–	–
Freight and delivery	72	–	Standard terms	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures (continued)

(c) Other related party transactions

\$ '000	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
2020					
Payments to staff related to Key Management Personnel	114	–	Standard terms	–	–
2019					
Payments to staff related to Key Management Personnel	106	–	Standard terms	–	–

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.

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

\$ '000	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	Cash	Non-cash					Held as restricted asset	Cumulative internal borrowings due/(payable)
Other	48	18	–	1	–	–	–	67	–
S7.11 contributions – under a plan	48	18	–	1	–	–	–	67	–
Total S7.11 and S7.12 revenue under plans	48	18	–	1	–	–	–	67	–
S7.11 not under plans	402	150	–	13	–	–	–	565	–
S64 contributions	148	4	–	–	(4)	–	–	148	–
Total contributions	598	172	–	14	(4)	–	–	780	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 1 - Community facilities

Other	48	18	–	1	–	–	–	67	–
Total	48	18	–	1	–	–	–	67	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

	as at 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
S7.11 Contributions – not under a plan								
Roads	402	150	–	13	–	–	565	–
Total	402	150	–	13	–	–	565	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	8,666	1,099	1,625
User charges and fees	2,105	1,137	77
Interest and investment revenue	194	104	100
Other revenues	3,489	13	3
Grants and contributions provided for operating purposes	11,637	–	–
Grants and contributions provided for capital purposes	2,729	30	15
Rental income	177	–	–
Total income from continuing operations	28,997	2,383	1,820
Expenses from continuing operations			
Employee benefits and on-costs	10,079	325	147
Borrowing costs	657	145	85
Materials and contracts	7,180	364	196
Depreciation and amortisation	6,427	578	477
Other expenses	3,195	677	492
Net losses from the disposal of assets	802	235	239
Total expenses from continuing operations	28,340	2,324	1,636
Operating result from continuing operations	657	59	184
Net operating result for the year	657	59	184
Net operating result attributable to each council fund	657	59	184
Net operating result for the year before grants and contributions provided for capital purposes	(2,072)	29	169

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

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

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	4,381	1,627	1,219
Investments	9,651	1,027	2,722
Receivables	1,686	352	119
Inventories	2,969	–	–
Contract assets	502	–	–
Contract assets	–	–	–
Contract cost assets	–	–	–
Other	9	–	–
Total current assets	19,198	3,006	4,060
Non-current assets			
Receivables	122	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Infrastructure, property, plant and equipment	261,443	29,885	22,755
Investment property	170	—	—
Contract assets	—	—	—
Contract cost assets	—	—	—
Right of use assets	—	—	—
Right of use assets	814	—	—
Total non-current assets	262,549	29,885	22,755
TOTAL ASSETS	281,747	32,891	26,815
LIABILITIES			
Current liabilities			
Payables	1,902	24	11
Contract liabilities	—	—	—
Lease liabilities	—	—	—
Contract liabilities	2,755	—	—
Lease liabilities	174	—	—
Borrowings	1,317	112	169
Provisions	2,347	—	—
Total current liabilities	8,495	136	180
Non-current liabilities			
Payables	175	—	—
Contract liabilities	—	—	—
Lease liabilities	—	—	—
Lease liabilities	737	—	—
Borrowings	8,610	1,714	1,034
Provisions	4,269	—	—
Total non-current liabilities	13,791	1,714	1,034
TOTAL LIABILITIES	22,286	1,850	1,214
Net assets	259,461	31,041	25,601
EQUITY			
Accumulated surplus	119,459	14,423	13,106
Revaluation reserves	140,002	16,618	12,495
Council equity interest	259,461	31,041	25,601
Total equity	259,461	31,041	25,601

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

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

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods 2019 ³	2018	Benchmark
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1. Operating performance ratio

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods 2019 ³ 2018		Benchmark
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(598)	(1.97)%	0.73%	7.75%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	30,426				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	18,789	56.59%	60.84%	64.75%	>60.00%
Total continuing operating revenue ¹	33,200				
3. Unrestricted current ratio					
Current assets less all external restrictions	14,306	2.43x	2.93x	4.65x	>1.50x
Current liabilities less specific purpose liabilities	5,893				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,771	3.07x	3.12x	3.64x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,533				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,059	8.35%	9.90%	6.63%	<10.00%
Rates, annual and extra charges collectible	12,689				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	20,627	8.21 mths	12.35 mths	9.77 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	2,512				

(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.

(3) Please refer to Note 13 for Prior Period Adjustments

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 ⁴	2020	2019 ⁴	2020	2019 ⁴	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(3.03)%	(2.76)%	1.23%	19.49%	9.36%	18.35%	>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	50.46%	54.29%	98.74%	96.88%	99.18%	98.99%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.43x	2.93x	22.10x	25.21x	22.56x	22.54x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.77x	2.53x	4.80x	7.74x	8.18x	8.93x	>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	10.63%	7.56%	0.00%	27.25%	0.00%	6.38%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.08	11.23	∞	∞	∞	∞	>3.00
Payments from cash flow of operating and financing activities	mths	mths					mths

(1) - (2) Refer to Notes at Note 24a above.

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

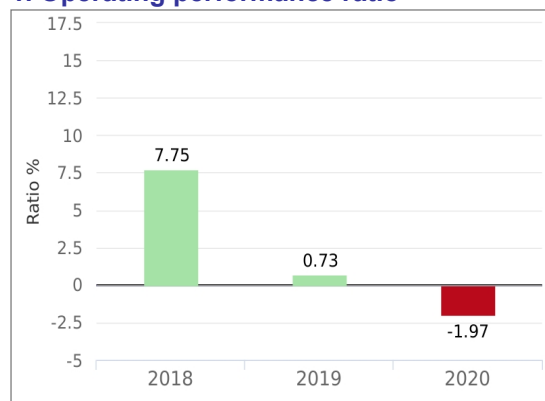
(4) Please refer to Note 13 for Prior Period Adjustments.

Notes to the Financial Statements

for the year ended 30 June 2020

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio (1.97)%

Council is very close to meeting the benchmark. The drop this year relates to a decrease in operating revenue due to bushfires, drought and COVID.

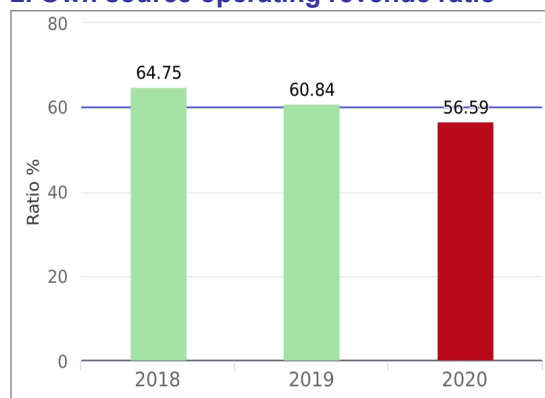
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 56.59%

Council is very close to meeting the 60.00% benchmark. The drop this year relates to a decrease in operating revenue due to bushfires, drought and COVID.

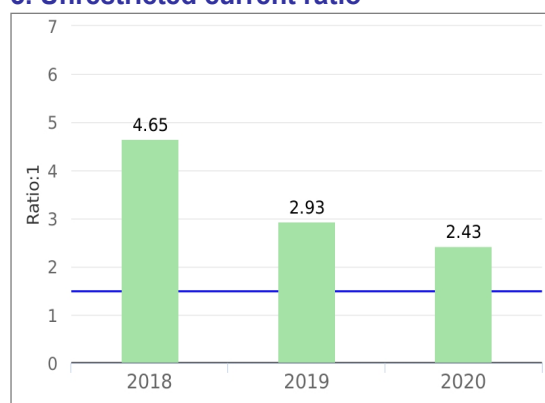
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 2.43x

This ratio remains healthy and well above the industry minimum of 1.5%.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

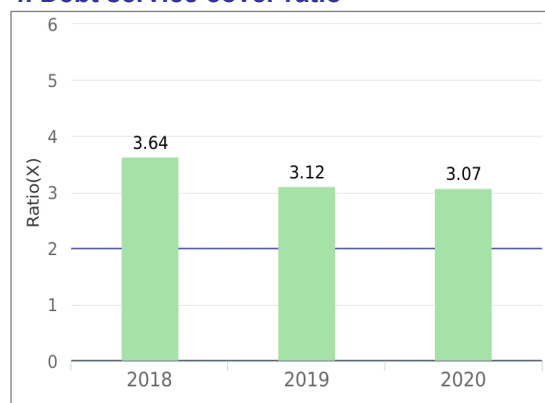
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 3.07x

Council has continued to maintain borrowings at sustainable levels.

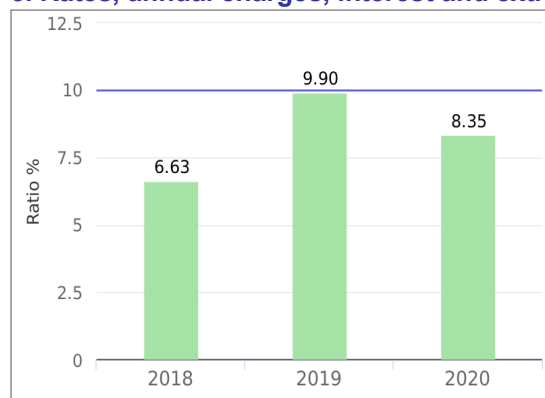
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 8.35%

Council continues to perform well in this area and is well within the acceptable range for Rural Councils and is an improvement on 2018-19.

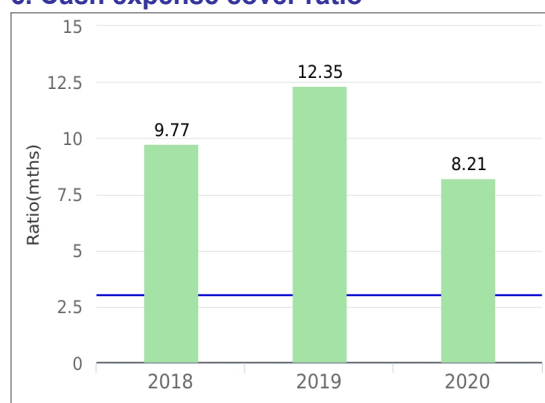
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 8.21 mths

This ratio has been maintained well above the industry minimum. This reflects Council's ability to accumulate required reserves for future renewals works from positive operating results.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. Council information and contact details

Principal place of business:

265 Grey Street
Glen Innes NSW 2370

Contact details

PO Box 61
Glen Innes NSW 2370

8.30 am - 4.30 pm
Monday - Friday

Telephone: (02) 6730-2300

Facsimile: (02) 6732-3764

Internet: www.gisc.nsw.gov.au

Email: council@gisc.nsw.gov.au

Officers

GENERAL MANAGER

Craig BENNETT

RESPONSIBLE ACCOUNTING OFFICER

Anna WATT

PUBLIC OFFICER

Dennis MCINTYRE

AUDITORS

The Audit Office of New South Wales
Darling Park Tower 2,
Level 19, 201 Sussex Street
GPO Box 12,
SYDNEY NSW 2001

Elected members

MAYOR

Carol SPARKS

COUNCILLORS

Deputy Mayor Dianne NEWMAN
Councillor Steve TOMS
Councillor Glenn FRENDON
Councillor Andrew PARSONS
Councillor Colin PRICE
Councillor Jeff SMITH

Other information

ABN: 81 365 002 718



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Glen Innes Severn Council

To the Councillors of Glen Innes Severn Council

Opinion

I have audited the accompanying financial statements of Glen Innes Severn 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.



Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 November 2020
SYDNEY



Cr Carol Sparks
Mayor
Glen Innes Severn Council
PO Box 61
GLEN INNES NSW 2370

Contact: Chris Harper
Phone no: 02 925 7374
Our ref: D2027045/1730

30 November 2020

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
Glen Innes Severn Council**

I have audited the general purpose financial statements (GPFS) of Glen Innes Severn 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	11.4	11.1	↑ 2.7
Grants and contributions revenue	14.4	11.7	↑ 23.1

Employee benefits and on-costs	(10.5)	(9.2)	14.1
Operating result from continuing operations	0.9	0.1	800
Net operating result before capital grants and contributions	(1.9)	(2.2)	13.6

The Council's operating result from continuing operations (\$900,000 including depreciation and amortisation expense of \$7.5 million) was \$800,000 higher than the 2018–19 result. The increase is mainly due to an increase in operating grants, partially offset by increased payroll expenses as staff worked overtime to clean up bushfire and flood damage, and write off of assets destroyed by bushfires.

The net operating result before capital grants and contributions (deficit of \$1.9 million) was a \$300,000 improvement from the 2018–19 result. This was mainly due to the increase in operating grants and contributions.

Rates and annual charges revenue (\$11.4 million) increased by \$300,000 (2.7 per cent) in 2019–20 mainly due to rate pegging increases during the year.

Grants and contributions revenue (\$14.4 million) increased by \$2.7 million (23.1 per cent) in 2019–20 due to:

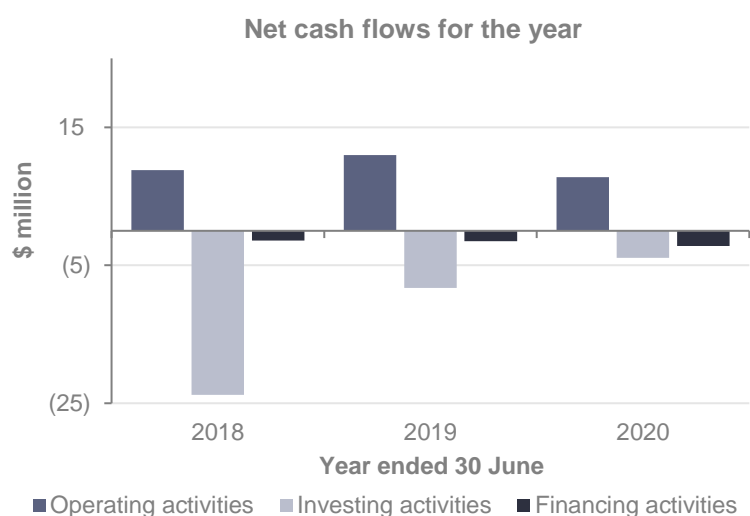
- \$432,000 of Recreation and Culture Grants received during the year
- additional grants of \$1.4 million received during the year for Tourism and Area Promotion
- additional contributions of \$538,000 received during the year for Fire Protection resulting from the bushfires.

Employee benefits and on-cost (\$11.3 million) increased by \$2.1 million (22.8 per cent) in 2019-20. This was mainly due to the significant increase in overtime and hours worked as a result of the bushfires and disaster recovery during the year, which also diverted Council resources from capital projects to repairs and maintenance.

STATEMENT OF CASH FLOWS

Cash and cash equivalents increased by \$1.7 million during the year due to:

- cash inflows from operating activities decreased by \$3.2 million mainly due to the increased expenditure on bushfires and COVID-19
- cash outflows from investing activities decreased by \$3.8 million due to the sale of investment and a reduction in the purchase of Infrastructure, Property, Plant and Equipment during the year
- cash outflows from financing activities increased by \$159,000 due to the inclusion of lease liability repayments.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	11.5	9.7	<ul style="list-style-type: none"> External restrictions increased by \$1.8 million mainly due to unexpended grants and contract liabilities at year end. Internal restrictions decreased by \$0.9 million mainly due to a \$0.6 million reduction in the internal restriction for operational drainage and a \$0.3 million reduction in funds held for vehicle replacement.
Internal restrictions	8.8	9.7	
Unrestricted	0.3	3.1	
Cash and investments	20.6	22.5	

PERFORMANCE

Performance measures

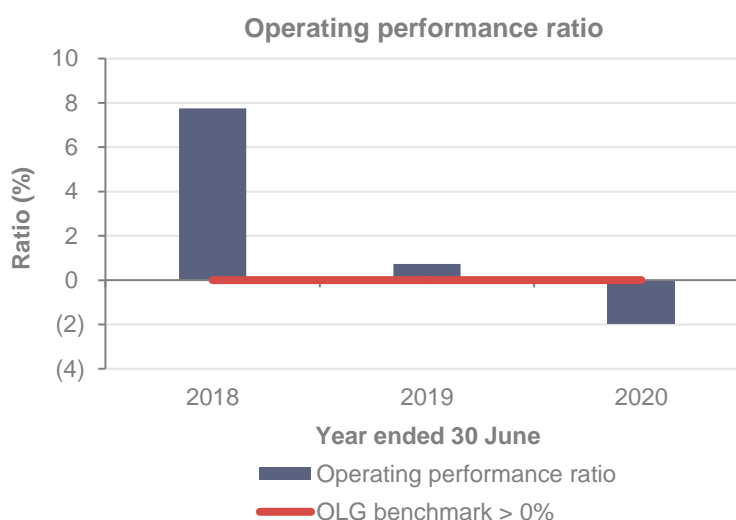
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

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.

The decrease in operating performance ratio was mainly due to the increase in employee costs, and materials and contracts as a result of the bushfires during the year.

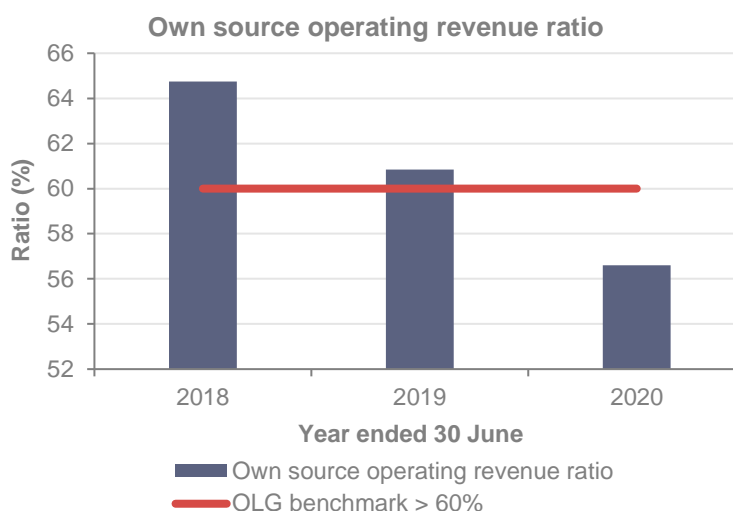


Own source operating revenue ratio

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

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

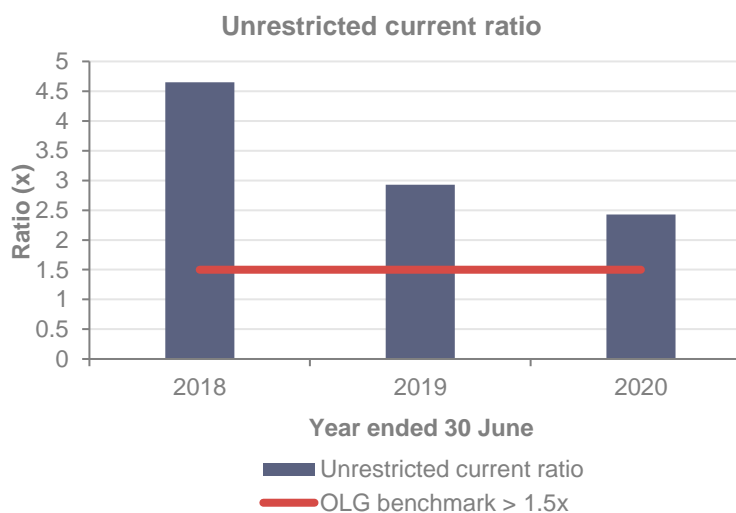
The decrease is mainly due to the increase in grants and contributions during the year.



Unrestricted current ratio

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

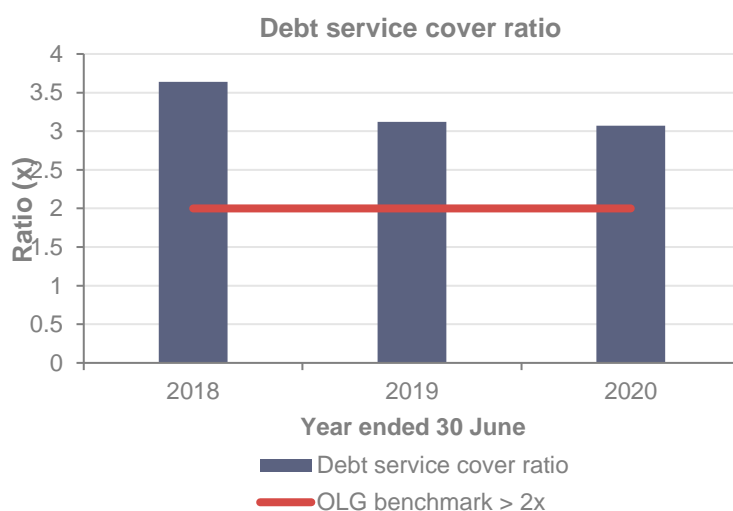
The Council exceeded the OLG benchmark for the current reporting period.



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.

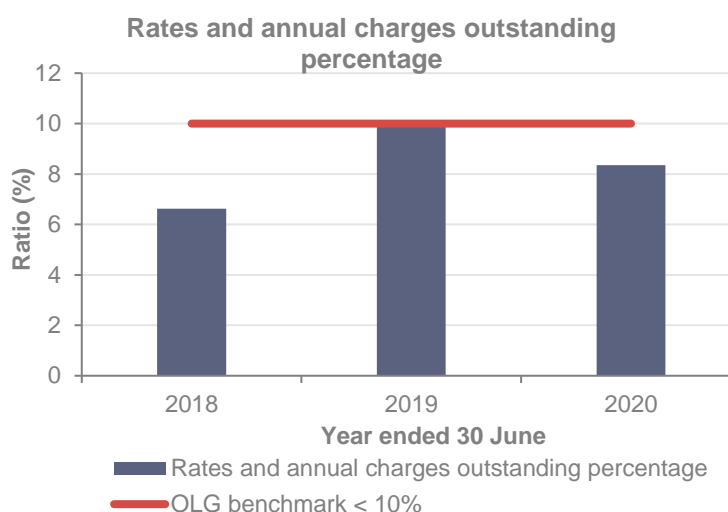


Rates and annual charges outstanding percentage

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 exceeded the OLG benchmark for the current reporting period.

The decrease in outstanding rates is mainly due to an improvement in the drought conditions which impacted primary producer's ability to pay rates due in 2018-19.

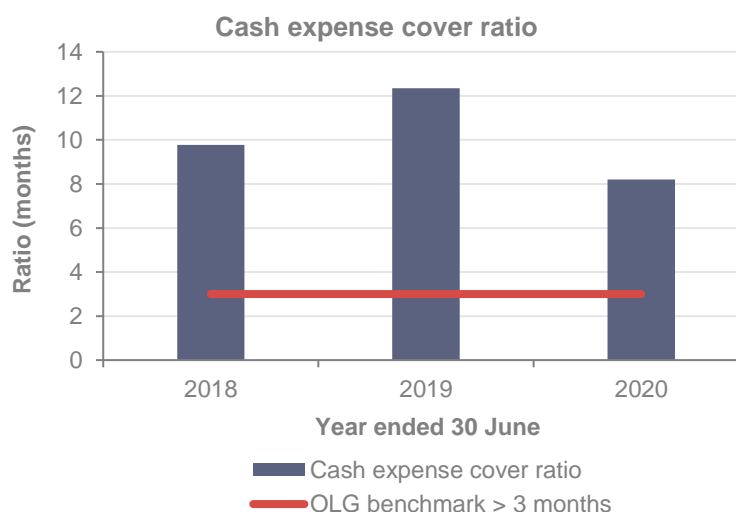


Cash expense cover ratio

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

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

The decrease in Council's ratio in 2019-20 can be attributed to a decrease in cash held and an increase in the average monthly cashflows from operating and financing activities. This was due to the increase in employee costs, materials and contracts due to natural disaster clean up.



Infrastructure, property, plant and equipment renewals

- Council's Infrastructure, Property, Plant and Equipment renewal expenditure was \$4.7 million, a \$692,000 decrease compared to 2018-19.
- Infrastructure renewal expenditure represents 66 per cent of the depreciation, amortisation and impairment for the year.
- Major renewals were for roads (\$1.6 million), plant and equipment (\$749,000), sewerage network (\$441,000), bridges (\$492,000) and other structures (\$519,000).

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 \$360,000 adjustment to opening accumulated surplus on 1 July 2019 on adoption of the new Revenue Standards which related to first time recognition of contract liabilities of \$482,000 and contract assets of \$121,000.

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

AASB 16 'Leases'

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

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

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

The Council recognised right-of-use assets of \$700,000 and lease liabilities of \$600,000 at 1 July 2019 on adoption of AASB 16.

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



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

cc: Mr Craig Bennett, General Manager
Ms Anna Watt, Director of Corporate and Community Services
Mr Geoff Allen, Principal, Forsyths

Glen Innes Severn Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

"Embracing Change, Building on History"



Special Purpose Financial Statements

for the year ended 30 June 2020

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

(1) Please refer to Note 13 for Prior Period Adjustments

(3) Please refer to Note 13 for Prior Period Adjustments

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).

Glen Innes Severn Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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


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

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



Carol SPARKS
Mayor
24 September 2020

Craig BENNETT
General Manager
24 September 2020

Dianne NEWMAN
Deputy Mayor
24 September 2020

Anna WATT
Responsible Accounting Officer
24 September 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	1,099	1,068
User charges	1,137	1,456
Interest	104	99
Other income	13	19
Total income from continuing operations	2,353	2,642
Expenses from continuing operations		
Employee benefits and on-costs	325	349
Borrowing costs	145	153
Materials and contracts	364	348
Depreciation, amortisation and impairment	578	575
Loss on sale of assets	235	332
Debt guarantee fee (if applicable)	56	59
Other expenses	677	702
Total expenses from continuing operations	2,380	2,518
Surplus (deficit) from continuing operations before capital amounts	(27)	124
Grants and contributions provided for capital purposes	30	85
Surplus (deficit) from continuing operations after capital amounts	3	209
Surplus (deficit) from all operations before tax	3	209
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(34)
SURPLUS (DEFICIT) AFTER TAX	3	175
Plus accumulated surplus	14,499	14,290
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	34
Plus/less: reallocation of inter-fund transactions	(79)	–
Closing accumulated surplus	14,423	14,499
Return on capital %	0.4%	0.9%
Subsidy from Council	145	111
Calculation of dividend payable:		
Surplus (deficit) after tax	3	175
Less: capital grants and contributions (excluding developer contributions)	(30)	(57)
Surplus for dividend calculation purposes	–	118
Potential dividend calculated from surplus	–	59

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	1,625	1,580
User charges	34	46
Liquid trade waste charges	43	33
Interest	100	109
Other income	3	3
Total income from continuing operations	1,805	1,771
Expenses from continuing operations		
Employee benefits and on-costs	147	123
Borrowing costs	85	95
Materials and contracts	196	259
Depreciation, amortisation and impairment	477	469
Loss on sale of assets	239	–
Debt guarantee fee (if applicable)	36	41
Other expenses	492	500
Total expenses from continuing operations	1,672	1,487
Surplus (deficit) from continuing operations before capital amounts	133	284
Grants and contributions provided for capital purposes	15	18
Surplus (deficit) from continuing operations after capital amounts	148	302
Surplus (deficit) from all operations before tax	148	302
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(37)	(78)
SURPLUS (DEFICIT) AFTER TAX	111	224
Plus accumulated surplus	13,047	12,745
Plus/less: reallocation of inter-fund transactions	(89)	–
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	37	78
Closing accumulated surplus	13,106	13,047
Return on capital %	1.0%	1.7%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	111	224
Less: capital grants and contributions (excluding developer contributions)	(15)	(8)
Surplus for dividend calculation purposes	96	216
Potential dividend calculated from surplus	48	108

Income Statement – Glen Innes Aggregates

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	605	685
Other income	2,554	3,313
Total income from continuing operations	3,159	3,998
Expenses from continuing operations		
Employee benefits and on-costs	543	225
Borrowing costs	111	107
Materials and contracts	1,596	2,816
Depreciation, amortisation and impairment	97	29
Debt guarantee fee (if applicable)	67	59
Other expenses	419	191
Total expenses from continuing operations	2,833	3,427
Surplus (deficit) from continuing operations before capital amounts	326	571
Surplus (deficit) from continuing operations after capital amounts	326	571
Surplus (deficit) from all operations before tax	326	571
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(90)	(157)
SURPLUS (DEFICIT) AFTER TAX	236	414
Plus accumulated surplus	2,901	2,698
Plus/less: reallocation of inter-fund transactions	(138)	–
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	90	157
Less:		
– Dividend paid	–	(368)
Closing accumulated surplus	3,089	2,901
Return on capital %	18.4%	20.9%

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	1,627	1,571
Investments	1,027	1,429
Receivables	352	454
Total current assets	3,006	3,454
Non-current assets		
Infrastructure, property, plant and equipment	29,885	29,369
Total non-current assets	29,885	29,369
TOTAL ASSETS	32,891	32,823
LIABILITIES		
Current liabilities		
Payables	24	25
Borrowings	112	112
Total current liabilities	136	137
Non-current liabilities		
Borrowings	1,714	1,827
Total non-current liabilities	1,714	1,827
TOTAL LIABILITIES	1,850	1,964
NET ASSETS	31,041	30,859
EQUITY		
Accumulated surplus	14,423	14,499
Revaluation reserves	16,618	16,360
TOTAL EQUITY	31,041	30,859

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	1,219	482
Investments	2,722	3,257
Receivables	119	115
Total current assets	4,060	3,854
Non-current assets		
Infrastructure, property, plant and equipment	22,755	22,853
Total non-current assets	22,755	22,853
TOTAL ASSETS	26,815	26,707
LIABILITIES		
Current liabilities		
Payables	11	13
Borrowings	169	158
Total current liabilities	180	171
Non-current liabilities		
Borrowings	1,034	1,203
Total non-current liabilities	1,034	1,203
TOTAL LIABILITIES	1,214	1,374
NET ASSETS	25,601	25,333
EQUITY		
Accumulated surplus	13,106	13,048
Revaluation reserves	12,495	12,285
TOTAL EQUITY	25,601	25,333

Statement of Financial Position – Glen Innes Aggregates

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	797	95
Receivables	136	885
Inventories	2,560	1,150
Total current assets	3,493	2,130
Non-current assets		
Infrastructure, property, plant and equipment	2,379	3,247
Total non-current assets	2,379	3,247
TOTAL ASSETS	5,872	5,377
LIABILITIES		
Current liabilities		
Lease liabilities	34	–
Payables	54	12
Borrowings	52	92
Total current liabilities	140	104
Non-current liabilities		
Lease liabilities	365	–
Borrowings	1,772	1,866
Total non-current liabilities	2,137	1,866
TOTAL LIABILITIES	2,277	1,970
NET ASSETS	3,595	3,407
EQUITY		
Accumulated surplus	3,089	2,901
Revaluation reserves	506	506
TOTAL EQUITY	3,595	3,407

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. Glen Innes Aggregates is a Category 1 business of Council.

b. Glen Innes Severn Council Water Supply

A provision for augmented water supplies to the communities of Deepwater and Glen Innes, and, surrounding residential and farmland holdings.

Category 2

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

a. Glen Innes Severn Council Sewerage Services

A provision for sewerage services to the communities of Deepwater and Glen Innes, and, surrounding residential and farmland holdings.

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 currency and rounded to the nearest 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 2019 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

Glen Innes Severn Council

To the Councillors of Glen Innes Severn Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Glen Innes Aggregates.

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.



Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 November 2020
SYDNEY

Glen Innes Severn Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

"Embracing Change, Building on History"



Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	7,005	6,844
Plus or minus adjustments ²	b	27	(23)
Notional general income	c = a + b	7,032	6,821
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	183	184
Sub-total	k = (c + g + h + i + j)	7,215	7,005
Plus (or minus) last year's carry forward total	l	1	1
Sub-total	n = (l + m)	1	1
Total permissible income	o = k + n	7,216	7,006
Less notional general income yield	p	7,208	7,005
Catch-up or (excess) result	q = o - p	8	1
Carry forward to next year ³	t = q + r + s	8	1

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) 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

Glen Innes Severn Council

To the Councillors of Glen Innes Severn Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Glen Innes Severn 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 'CHarper', with a long, sweeping horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 November 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost	Estimated cost	2019/20	2019/20	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council	Required maintenance ^a	Actual maintenance			1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000								
(a) Report on Infrastructure Assets - Values													
Buildings	Buildings	3,402	3,402	7	117	13,729	27,995	27.0%	0.0%	72.0%	0.0%	1.0%	
	Other	—	—	—	—	(1)	—	0.0%	0.0%	0.0%	0.0%	0.0%	
	Buildings - Quarry	108	108	30	9	272	659	4.0%	0.0%	92.0%	3.0%	1.0%	
	Buildings - Water	414	414	—	2	1,247	3,059	9.0%	1.0%	90.0%	0.0%	0.0%	
	Buildings - Sewer	108	108	—	1	278	495	27.0%	0.0%	55.0%	18.0%	0.0%	
	Buildings - Public Halls	1,869	1,869	12	3	3,978	12,431	0.0%	0.0%	100.0%	0.0%	0.0%	
	Sub-total	5,901	5,901	49	132	19,503	44,639	17.9%	0.1%	81.1%	0.2%	0.6%	
Other structures	Other structures	13	13	117	103	4,545	10,856	10.0%	90.0%	0.0%	0.0%	0.0%	
	Sub-total	13	13	117	103	4,545	10,856	10.0%	90.0%	0.0%	0.0%	0.0%	
Roads	Roads – Local Rural Sealed	8,757	8,757	390	379	15,166	53,496	42.0%	40.0%	11.0%	7.0%	0.0%	
	Roads – Local Rural Unsealed	7,959	7,959	1,900	1,956	20,650	37,899	34.0%	46.0%	18.0%	1.0%	1.0%	
	Roads – Local Urban Sealed	2,185	2,185	340	372	15,166	22,848	50.0%	38.0%	11.0%	1.0%	0.0%	
	Footpaths	361	361	40	10	3,340	4,544	37.0%	34.0%	22.0%	7.0%	0.0%	
	Roads – Regional Rural Sealed	1,163	1,163	45	45	12,808	18,266	50.0%	48.0%	2.0%	0.0%	0.0%	
	Roads – Regional Urban Sealed	59	59	30	24	891	1,042	79.0%	21.0%	0.0%	0.0%	0.0%	
	Roads – Other Urban Sealed	534	534	—	32	1,293	2,222	85.0%	6.0%	5.0%	4.0%	0.0%	
	Carparks	36	36	—	1	969	1,395	52.0%	38.0%	9.0%	1.0%	0.0%	
	Bulk earthworks	37	37	—	—	64,708	64,708	35.0%	45.0%	16.0%	2.0%	2.0%	
	Other	—	—	—	—	17,136	—	0.0%	0.0%	0.0%	0.0%	0.0%	
	Bridges – Local Rural Concrete/Steel	1,817	1,817	—	—	21,553	35,438	12.0%	53.0%	34.0%	1.0%	0.0%	
	Bridges – Local Urban Concrete/Steel	330	330	60	—	1,836	3,632	0.0%	49.0%	49.0%	2.0%	0.0%	
	Bridges – Local Urban Timber	36	36	3	53	—	278	0.0%	12.0%	88.0%	0.0%	0.0%	
	Bridges – Regional Concrete/Steel	421	421	—	—	4,123	6,106	16.0%	41.0%	42.0%	1.0%	0.0%	
	Bridges – Local Rural Timber	874	874	—	—	567	1,979	3.0%	44.0%	26.0%	27.0%	0.0%	
	Culverts	606	606	—	—	6,649	11,147	9.0%	65.0%	23.0%	3.0%	0.0%	
	Causeways	876	876	—	—	2,919	7,166	3.0%	53.0%	35.0%	6.0%	3.0%	
	Sub-total	26,051	26,051	2,808	2,872	189,774	272,166	33.1%	45.1%	18.2%	2.9%	0.7%	
		Dams/Weirs	—	—	—	—	3,266	4,978	1.0%	99.0%	0.0%	0.0%	0.0%
		Total Reticulation	1,984	1,984	115	134	9,691	13,989	0.0%	0.0%	0.0%	0.0%	100.0%
		Reservoirs	107	—	4	3	2,144	3,948	0.0%	0.0%	15.0%	0.0%	85.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring 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
Water supply network	Pumping Stations	—	—	—	—	926	1,819	59.0%	41.0%	0.0%	0.0%	0.0%
Water supply network	Rising Mains	25	25	1	19	1,941	2,556	20.0%	73.0%	7.0%	0.0%	0.0%
Water supply network	Treatment	1,985	1,985	—	72	17,889	12,461	53.0%	47.0%	0.0%	0.0%	0.0%
Water supply network	Bores	—	—	—	—	349	397	100.0%	0.0%	0.0%	0.0%	0.0%
Water supply network	Off Stream Storages	—	—	—	—	439	559	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	4,101	3,994	120	228	26,999	40,707	22.6%	32.9%	1.9%	0.0%	42.6%
Sewerage network	Total Reticulation	6,233	6,233	72	80	15,857	22,965	21.0%	10.0%	40.0%	28.0%	1.0%
	Pumping Stations	9	9	4	3	221	508	49.0%	38.0%	13.0%	0.0%	0.0%
	Treatment	—	—	—	—	4,497	7,095	98.0%	2.0%	0.0%	0.0%	0.0%
	Rising Mains	16	16	—	2	1,187	1,362	82.0%	10.0%	8.0%	0.0%	0.0%
	Sub-total	6,258	6,258	76	85	21,765	31,930	41.2%	8.7%	29.3%	20.1%	0.7%
Stormwater drainage	Stormwater Conduits	1,229	1,229	76	24	9,078	15,256	6.0%	42.0%	51.0%	1.0%	0.0%
	Inlet and Junction Pits	112	112	—	—	1,416	2,333	8.0%	72.0%	17.0%	2.0%	1.0%
	Sub-total	1,341	1,341	76	24	10,491	17,589	6.3%	46.0%	46.5%	1.1%	0.1%
Open space / recreational assets	Swimming pools	232	232	—	160	1,304	3,147	15.0%	51.0%	31.0%	2.0%	1.0%
	Other Recreation	197	197	286	9	3,138	3,525	49.0%	32.0%	15.0%	3.0%	1.0%
	Sub-total	429	429	286	169	4,442	6,672	33.0%	41.0%	22.5%	2.5%	1.0%
Other infrastructure assets	Major Street Furniture	8	8	—	—	2,122	1,516	89.0%	10.0%	1.0%	0.0%	0.0%
	Kerb and Gutter	363	363	—	—	5,788	11,330	38.0%	51.0%	9.0%	2.0%	0.0%
	Sub-total	371	371	—	—	—	12,846	44.0%	46.2%	8.1%	1.8%	0.0%
	TOTAL - ALL ASSETS	44,465	44,358	3,532	3,613	277,519	437,405	29.8%	37.8%	24.3%	3.4%	4.5%

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

Infrastructure asset condition assessment 'key'

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

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 ³	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	4,977	91.56%	100.90%	119.87%	>=100.00%
Depreciation, amortisation and impairment	5,436				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	44,465	16.02%	11.67%	11.10%	<2.00%
Net carrying amount of infrastructure assets	277,519				
Asset maintenance ratio					
Actual asset maintenance	3,613	102.29%	102.37%	100.00%	>100.00%
Required asset maintenance	3,532				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	44,358	10.14%	32.66%	6.90%	
Gross replacement cost	437,405				

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

(1) Excludes Work In Progress (WIP)

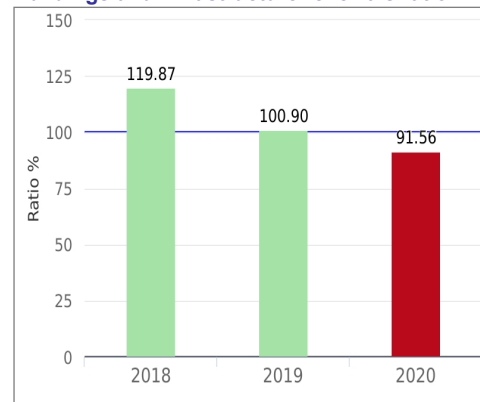
(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

(3) Please refer to Note 13 for Prior Period Adjustments

Report on Infrastructure Assets (continued)

as at 30 June 2020

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

19/20 ratio 91.56%

Capital projects were budgeted, but due to bushfires, drought and COVID these projects were not undertaken.

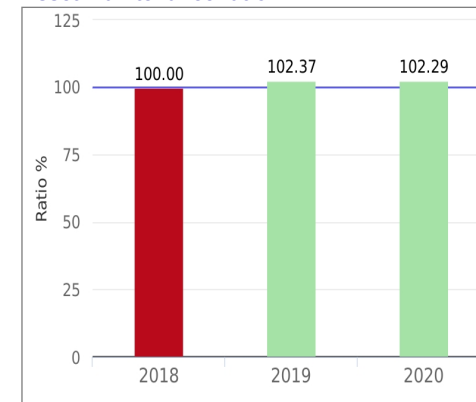
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

19/20 ratio 102.29%

Council is maintaining its assets at an appropriate level.

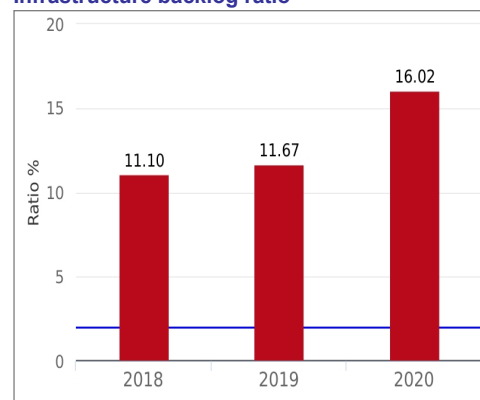
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

19/20 ratio 16.02%

Council was not able to improve in this area due to bushfires, drought and COVID restrictions.

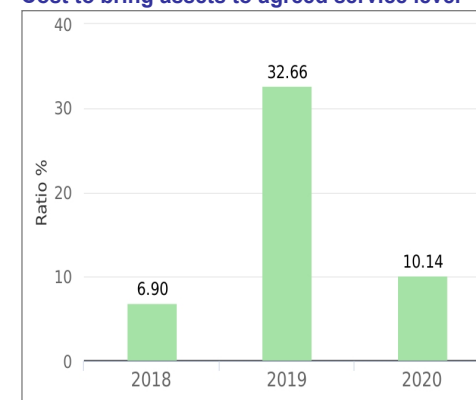
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

19/20 ratio 10.14%

Council is maintaining its agreed service level for assets at an appropriate level.

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	93.79%	123.66%	74.13%	0.00%	92.07%	0.00%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	14.91%	10.27%	15.19%	7.56%	28.75%	29.03%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	98.92%	102.80%	190.00%	100.00%	111.84%	100.00%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	9.35%	37.49%	9.81%	4.97%	19.60%	20.02%	

(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.