

# Cootamundra-Gundagai Regional Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2020

---



# Cootamundra-Gundagai Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

---



## General Purpose Financial Statements

for the year ended 30 June 2020

---

Contents	Page
<b>1. Statement by Councillors &amp; Management</b>	<b>3</b>
<b>2. Primary Financial Statements:</b>	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
<b>3. Notes to the Financial Statements</b>	<b>9</b>
<b>4. Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	75
On the Financial Statements (Sect 417 [3])	78

---

### Overview

Cootamundra-Gundagai Regional Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

81 Wallendoon St  
Cootamundra NSW 2590

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

## Cootamundra-Gundagai Regional Council

### General Purpose Financial Statements

for the year ended 30 June 2020

---

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

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

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

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

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

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

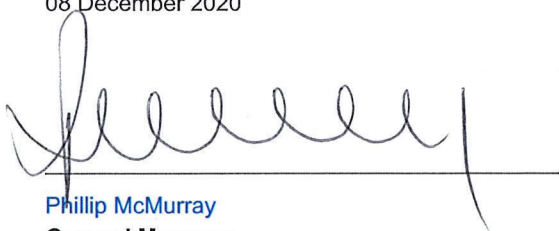
Signed in accordance with a resolution of Council made on 08 December 2020.



**Abb McAlister**  
**Mayor**  
08 December 2020



**Dennis Palmer**  
**Councillor**  
08 December 2020



**Phillip McMurray**  
**General Manager**  
08 December 2020



**Tim Swan**  
**Responsible Accounting Officer**  
08 December 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Income from continuing operations</b>				
12,975	Rates and annual charges	3a	13,335	12,881
8,181	User charges and fees	3b	8,343	8,620
400	Other revenues	3c	895	1,146
10,511	Grants and contributions provided for operating purposes	3d,3e	9,926	12,047
13,407	Grants and contributions provided for capital purposes	3d,3e	7,661	7,257
677	Interest and investment income	4	407	884
–	Net gains from the disposal of assets	6	408	–
–	Rental income	13	221	–
<b>46,151</b>	<b>Total income from continuing operations</b>		<b>41,196</b>	<b>42,835</b>
<b>Expenses from continuing operations</b>				
11,955	Employee benefits and on-costs	5a	12,931	12,270
184	Borrowing costs	5b	120	125
13,698	Materials and contracts	5c	13,779	12,473
7,677	Depreciation and amortisation	5d	9,138	8,941
4,988	Other expenses	5e	3,609	3,830
–	Net losses from the disposal of assets	6	–	849
–	Revaluation decrement / impairment of IPP&E	5d	206	–
<b>38,502</b>	<b>Total expenses from continuing operations</b>		<b>39,783</b>	<b>38,488</b>
<b>7,649</b>	<b>Operating result from continuing operations</b>		<b>1,413</b>	<b>4,347</b>
<b>7,649</b>	<b>Net operating result for the year</b>		<b>1,413</b>	<b>4,347</b>
7,650	Net operating result attributable to council		1,413	4,347
<b>(5,757)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(6,248)</b>	<b>(2,910)</b>

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

The above 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
<b>Net operating result for the year (as per Income Statement)</b>		<b>1,413</b>	<b>4,347</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	177,195	587
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>177,195</b>	<b>587</b>
<b>Total other comprehensive income for the year</b>		<b>177,195</b>	<b>587</b>
<b>Total comprehensive income for the year</b>		<b>178,608</b>	<b>4,934</b>
 Total comprehensive income attributable to Council		 178,608	 4,934

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

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

## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	7,708	9,909
Investments	7(b)	9,073	17,106
Receivables	8	2,156	5,037
Inventories	9	821	854
Contract assets	12a	5,570	—
<b>Total current assets</b>		<b>25,328</b>	<b>32,906</b>
<b>Non-current assets</b>			
Receivables	8	89	12
Inventories	9	1,302	1,158
Infrastructure, property, plant and equipment	10	570,999	383,012
Intangible Assets	11	172	215
<b>Total non-current assets</b>		<b>572,562</b>	<b>384,397</b>
<b>Total assets</b>		<b>597,890</b>	<b>417,303</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	14	3,846	3,380
Income received in advance	14	—	468
Contract liabilities	12b	2,510	—
Borrowings	14	866	448
Provisions	15	4,198	3,815
<b>Total current liabilities</b>		<b>11,420</b>	<b>8,111</b>
<b>Non-current liabilities</b>			
Borrowings	14	5,771	2,173
Provisions	15	1,086	818
<b>Total non-current liabilities</b>		<b>6,857</b>	<b>2,991</b>
<b>Total liabilities</b>		<b>18,277</b>	<b>11,102</b>
<b>Net assets</b>		<b>579,613</b>	<b>406,201</b>
<b>EQUITY</b>			
Accumulated surplus		398,830	402,613
Revaluation reserves		180,783	3,588
<b>Council equity interest</b>		<b>579,613</b>	<b>406,201</b>
<b>Total equity</b>		<b>579,613</b>	<b>406,201</b>

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

The above Statement of 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		402,613	3,588	406,201	398,266	3,001	401,267
Changes due to AASB 1058 and AASB 15 adoption	16	(5,196)	–	(5,196)	–	–	–
<b>Opening balance</b>		<b>397,417</b>	<b>3,588</b>	<b>401,005</b>	<b>398,266</b>	<b>3,001</b>	<b>401,267</b>
Net operating result for the year		1,413	–	1,413	4,347	–	4,347
<b>Net operating result for the period</b>		<b>1,413</b>	<b>–</b>	<b>1,413</b>	<b>4,347</b>	<b>–</b>	<b>4,347</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10	–	177,195	177,195	–	587	587
<b>Other comprehensive income</b>		<b>–</b>	<b>177,195</b>	<b>177,195</b>	<b>–</b>	<b>587</b>	<b>587</b>
<b>Total comprehensive income</b>		<b>1,413</b>	<b>177,195</b>	<b>178,608</b>	<b>4,347</b>	<b>587</b>	<b>4,934</b>
<b>Equity – balance at end of the reporting period</b>		<b>398,830</b>	<b>180,783</b>	<b>579,613</b>	<b>402,613</b>	<b>3,588</b>	<b>406,201</b>

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

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



## Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
12,975	Rates and annual charges		13,884	13,022
8,181	User charges and fees		8,114	8,978
677	Investment and interest revenue received		537	900
23,918	Grants and contributions		11,658	17,019
4,400	Other		1,311	3,474
<b>Payments:</b>				
(11,955)	Employee benefits and on-costs		(12,430)	(12,099)
(13,698)	Materials and contracts		(13,678)	(13,988)
(188)	Borrowing costs		(111)	(131)
(4,988)	Other		(3,609)	(3,964)
19,322	<b>Net cash provided (or used in) operating activities</b>	17b	5,676	13,211
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
10,017	Sale of investment securities		22,734	27,383
–	Sale of real estate assets		347	793
697	Sale of infrastructure, property, plant and equipment		1,223	1,208
<b>Payments:</b>				
–	Purchase of investment securities		(13,915)	(16,106)
(29,665)	Purchase of infrastructure, property, plant and equipment		(22,000)	(21,443)
–	Purchase of real estate assets		(186)	(781)
–	Purchase of intangible assets		–	(1)
–	Deferred debtors and advances made		(96)	(15)
(18,951)	<b>Net cash provided (or used in) investing activities</b>		(11,893)	(8,962)
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
4,000	Proceeds from borrowings and advances		4,430	–
<b>Payments:</b>				
(559)	Repayment of borrowings and advances		(414)	(428)
3,441	<b>Net cash flow provided (or used in) financing activities</b>		4,016	(428)
3,812	<b>Net increase/(decrease) in cash and cash equivalents</b>		(2,201)	3,821
17,106	Plus: cash and cash equivalents – beginning of year	17a	9,909	6,088
20,918	<b>Cash and cash equivalents – end of the year</b>	17a	7,708	9,909
16,998	plus: Investments on hand – end of year	7(b)	9,073	17,106
37,916	<b>Total cash, cash equivalents and investments</b>		16,781	27,015

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

## Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Revenue from continuing operations	15
4	Interest and investment income	23
5	Expenses from continuing operations	24
6	Gain or loss from disposal of assets	29
7(a)	Cash and cash equivalents	30
7(b)	Investments	31
7(c)	Restricted cash, cash equivalents and investments	32
8	Receivables	33
9	Inventories and other assets	35
10	Infrastructure, property, plant and equipment	36
11	Intangible assets	40
12	Contract assets and liabilities	41
13	Leases	43
14	Payables and borrowings	44
15	Provisions	46
16	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	49
17	Statement of cash flow information	54
18	Commitments	55
19	Contingencies	56
20	Financial risk management	59
21	Material budget variations	62
22	Fair Value Measurement	64
23	Related party disclosures	68
24	Statement of developer contributions	69
25	Result by fund	70
26(a)	Statement of performance measures – consolidated results	72
26(b)	Statement of performance measures – by fund	73
	<b>Additional Council disclosures (unaudited)</b>	
27	Council information and contact details	74

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

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

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

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

Council is a not for-profit entity.

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

#### (a) Historical cost convention

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

#### (b) Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

#### Covid 19 Impacts

Covid 19 has caused a disruption to Council's business practices with a number of staff working remotely from home or at other Council facilities away from the main administration building. Whilst this has caused some inconvenience it has not resulted in significant additional cost. Some costs have been incurred for additional equipment and staff salaries for employees required to isolate.

There are some minor reductions in income and some additional costs have been incurred in cleaning of Council facilities.

Rate collections are on par with prior years and other receivables have not been impacted.

Overall the financial impact has not been significant and is not anticipated to increase in future years.

Council is of the view that physical non-current assets will not experience substantial declines in value due to covid. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to Covid 19.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

For assets where fair value is determined by market value Council has no evidence of material changes to these values. With Covid 19 emerging late in the financial reporting cycle it is not practical to obtain external valuations of these assets at 30 June 2020.

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

##### (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in relation to the expected credit loss model – 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

##### (b) The Trust Fund

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

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

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

#### Goods and Services Tax (GST)

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

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

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

#### 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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

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.

#### New accounting standards adopted during the year

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Vibrant & supportive community	3,338	7,019	6,711	5,642	(3,373)	1,377	3,536	6,532	7,984	3,407
Prosperous & resilient economy	533	158	861	967	(328)	(809)	16	67	1,375	1,218
Sustainable natural & built environments	20,696	16,254	22,518	21,348	(1,822)	(5,094)	6,043	2,493	486,589	327,768
Good governance	16,629	19,404	9,693	10,531	6,936	8,873	6,787	9,016	97,463	84,910
Other	–	–	–	–	–	–	–	–	4,479	–
<b>Total functions and activities</b>	<b>41,196</b>	<b>42,835</b>	<b>39,783</b>	<b>38,488</b>	<b>1,413</b>	<b>4,347</b>	<b>16,382</b>	<b>18,108</b>	<b>597,890</b>	<b>417,303</b>

## 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:

#### **Vibrant & supportive community**

1. Our community is inclusive and connected
2. Public spaces provide for a diversity of activity and strengthen our social connections
3. Our community members are healthy and safe

#### **Prosperous & resilient economy**

1. The local economy is strong and diverse
2. Strategic land-use planning is co-ordinated and needs based
3. Tourism opportunities are actively promoted
4. Our local workforce is skilled and workplace ready

#### **Sustainable natural & built environments**

1. The natural environment is valued and protected
2. Our built environments support and enhance liveability

#### **Good governance**

1. Decision making is based on collaborative, transparent and accountable leadership
2. Active participation and engagement in local decision making
3. Cootamundra-Gundagai Regional Council is a premier local government council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	2,872	2,785
Farmland	1058 (1)	3,483	3,397
Business	1058 (1)	838	819
Less: pensioner rebates (mandatory)	1058 (1)	(200)	(204)
<b>Rates levied to ratepayers</b>		<b>6,993</b>	<b>6,797</b>
Pensioner rate subsidies received	1058 (1)	109	112
<b>Total ordinary rates</b>		<b>7,102</b>	<b>6,909</b>
<b>Special rates</b>			
Town improvement	1058 (1)	259	253
<b>Total special rates</b>		<b>259</b>	<b>253</b>
<b>Annual charges</b>			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	1,914	1,837
Stormwater management services	1058 (1)	104	103
Water supply services	1058 (1)	1,679	1,595
Sewerage services	1058 (1)	2,113	2,029
Waste management services (non-domestic)	1058 (1)	303	293
Less: pensioner rebates (mandatory)	1058 (1)	(314)	(319)
<b>Annual charges levied</b>		<b>5,799</b>	<b>5,538</b>
Pensioner subsidies received:			
– Water	1058 (1)	54	57
– Sewerage	1058 (1)	52	54
– Domestic waste management	1058 (1)	69	70
<b>Total annual charges</b>		<b>5,974</b>	<b>5,719</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>13,335</b>	<b>12,881</b>

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

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

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

**Accounting policy for rates and charges**

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

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

#### **2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (1)	2,624	2,600
Sewerage services	15 (1)	531	604
Other	15 (1)	10	—
<b>Total specific user charges</b>		<b>3,165</b>	<b>3,204</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation	15 (1)	177	189
Private works – section 67	15 (1)	580	156
Regulatory/ statutory fees	15 (1)	2	—
Section 10.7 certificates (EP&A Act)	15 (1)	25	27
Section 603 certificates	15 (1)	26	24
Other	15 (1)	—	12
<b>Total fees and charges – statutory/regulatory</b>		<b>810</b>	<b>408</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome	15 (1)	6	14
Caravan park	15 (1)	56	57
Cemeteries	15 (1)	294	240
Leaseback fees – Council vehicles	15 (1)	41	41
Library and art gallery	15 (1)	18	23
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (1)	3,384	4,074
Saleyards	15 (1)	107	114
Swimming centres	15 (1)	93	113
Tourism	15 (1)	9	22
Waste disposal tipping fees	15 (1)	267	224
Water connection fees	15 (1)	22	5
Sewer connection fees	15 (1)	14	8
Sports stadium	15 (2)	23	26
Other	15 (1)	34	47
<b>Total fees and charges – other</b>		<b>4,368</b>	<b>5,008</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>8,343</b>	<b>8,620</b>

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

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

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

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

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

**Accounting policy for user charges and fees**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

**2019 accounting policy**

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

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Rental income – other council properties (2019 only)		–	248
Fines	1058 (1)	6	9
Legal fees recovery – rates and charges (extra charges)	15 (1)	67	93
Commissions and agency fees	15 (1)	34	13
Diesel rebate	1058 (1)	116	115
Insurance claims recoveries	1058 (1)	–	6
RFS reimbursement	1058 (1)	343	230
Sales – miscellaneous	15 (1)	97	94
Workers comp incentive payments	1058 (1)	70	84
Insurance rebates	1058 (1)	120	247
Other	15 (1)	42	7
<b>TOTAL OTHER REVENUE</b>		<b>895</b>	<b>1,146</b>

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

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

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

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

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

**Accounting policy for other revenue**

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

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

**2019 accounting policy:**

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

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

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
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	1,853	1,835	–	–
Financial assistance – local roads component	1058 (1)	790	779	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	1058 (1)	1,962	1,902	–	–
Financial assistance – local roads component	1058 (1)	839	808	–	–
<b>Total general purpose</b>		<b>5,444</b>	<b>5,324</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Sewerage services	1058 (2)	–	–	4,780	–
Aged care	1058 (1)	8	–	–	–
Bushfire and emergency services	1058 (1)	78	–	28	16
Economic development	1058 (1)	13	–	–	–
Employment and training programs	1058 (1)	20	12	–	–
Environmental programs	1058 (2)	85	128	4	13
Heritage and cultural	1058 (1)	21	–	–	–
Library	1058 (1)	1	–	–	–
Library – per capita	1058 (1)	89	55	–	–
LIRS subsidy	1058 (1)	82	96	–	–
Noxious weeds	1058 (1)	87	65	–	–
Recreation and culture	1058 (2)	–	–	–	208
Storm/flood damage	1058 (2)	–	–	112	1,193
Street lighting	1058 (1)	–	42	–	–
Transport (roads to recovery)	1058 (1)	1,034	1,568	–	–
Transport (other roads and bridges funding)	1058 (2)	–	–	–	1,819
Stronger Communities Fund	1058 (2)	1,575	3,407	808	2,543
Stronger Country Communities Council projects	1058 (2)	–	–	1,622	1,058
Stronger Country Communities Community projects	15 (2)	463	376	–	–
Crown Lands	1058 (1)	–	63	–	–
Other	1058 (1)	28	30	–	–
National Stronger Regions		–	–	–	92
<b>Total specific purpose</b>		<b>3,584</b>	<b>5,842</b>	<b>7,354</b>	<b>6,942</b>
<b>Total grants</b>		<b>9,028</b>	<b>11,166</b>	<b>7,354</b>	<b>6,942</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		2,451	6,899	6,342	92
– State funding		6,483	4,182	983	6,834
– Other funding		94	85	29	16
		<b>9,028</b>	<b>11,166</b>	<b>7,354</b>	<b>6,942</b>

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions:</b> <b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.12 – fixed development consent levies	1058 (1)		–	–	109	65
S 64 – sewerage service contributions	1058 (1)		–	–	15	10
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>124</b>	<b>75</b>
<b>Total developer contributions</b>	24		<b>–</b>	<b>–</b>	<b>124</b>	<b>75</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Kerb and gutter	1058 (1)		–	–	30	–
Recreation and culture	1058 (1)		–	5	–	15
Roads and bridges	1058 (1)		17	12	–	–
RMS contributions (regional roads, block grant)	1058 (1)		876	857	153	225
Other	1058 (1)		5	7	–	–
<b>Total other contributions – cash</b>			<b>898</b>	<b>881</b>	<b>183</b>	<b>240</b>
<b>Total other contributions</b>			<b>898</b>	<b>881</b>	<b>183</b>	<b>240</b>
<b>Total contributions</b>			<b>898</b>	<b>881</b>	<b>307</b>	<b>315</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>9,926</b>	<b>12,047</b>	<b>7,661</b>	<b>7,257</b>

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

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

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

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

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

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

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

The performance obligations are varied based on the agreement but include passing milestones or meeting outputs. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

#### Grant income

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

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

#### Capital grants

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

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

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

#### Contributions

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

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

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

#### Accounting policy prior to 1 July 2019

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(f) Unspent grants and contributions – external restrictions</b>		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	3,195	482
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	29	3,079
Add: operating grants received for the provision of goods and services in a future period	1,438	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	–	(366)
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	(3,129)	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>1,533</b>	<b>3,195</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	2,089	692
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	–	1,871
Add: capital grants received for the provision of goods and services in a future period	1,051	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	–	(474)
<b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income	(2,082)	–
<b>Unexpended and held as externally restricted assets (capital grants) <sup>1</sup></b>	<b>1,058</b>	<b>2,089</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	–	228
<b>Add:</b> contributions recognised as income in the current period but not yet spent	109	20
<b>Less:</b> contributions recognised in a previous reporting period now spent	(89)	(228)
<b>Unexpended and held as externally restricted assets (contributions) <sup>2</sup></b>	<b>20</b>	<b>20</b>

(1) Unexpended grants relate mainly to Stronger Communities Fund income. These amounts are expected to be spent during the next financial year.

(2) Unexpended contributions relate to the Regional Roads Block Grant. These amounts are expected to be spent during the next financial year.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	78	90
– Cash and investments	306	776
Dividend income (other)	23	18
<b>Total Interest and investment income</b>	<b>407</b>	<b>884</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	38	42
General Council cash and investments	250	581
<b>Restricted investments/funds – external:</b>		
Water fund operations	69	134
Sewerage fund operations	50	127
<b>Total interest and investment revenue</b>	<b>407</b>	<b>884</b>

**Accounting policy for interest and investment revenue**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	11,508	11,402
Employee leave entitlements (ELE)	1,034	1,234
Superannuation	1,074	1,058
Workers' compensation insurance	589	450
Fringe benefit tax (FBT)	71	90
Other	2	7
<b>Total employee costs</b>	<b>14,278</b>	<b>14,241</b>
Less: capitalised costs	(1,347)	(1,971)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>12,931</b>	<b>12,270</b>

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

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

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

\$ '000	2020	2019
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on loans	120	125
<b>Total interest bearing liability costs</b>	<b>120</b>	<b>125</b>
<b>Total interest bearing liability costs expensed</b>	<b>120</b>	<b>125</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>120</b>	<b>125</b>

**Accounting policy for borrowing costs**

Borrowing costs are expensed when incurred.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	12,549	13,259
Contractor and consultancy costs	20,942	17,447
Auditors remuneration <sup>1</sup>	94	68
<b>Legal expenses:</b>		
– Legal expenses: planning and development	13	15
– Legal expenses: debt recovery	67	84
– Legal expenses: other	141	168
<b>Total materials and contracts</b>	<b>33,806</b>	<b>31,041</b>
Less: capitalised costs	(20,027)	(18,568)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>13,779</b>	<b>12,473</b>

**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. 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	94	68
<b>Remuneration for audit and other assurance services</b>	<b>94</b>	<b>68</b>
<b>Total Auditor-General remuneration</b>	<b>94</b>	<b>68</b>
<b>Total Auditor remuneration</b>	<b>94</b>	<b>68</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,455	1,562
Office equipment		106	95
Furniture and fittings		45	46
Land improvements (depreciable)		14	14
<b>Infrastructure:</b>	10		
– Buildings – non-specialised		48	46
– Buildings – specialised		811	811
– Other structures		410	396
– Roads		4,166	3,787
– Bridges		355	476
– Footpaths		86	119
– Stormwater drainage		173	173
– Water supply network		486	463
– Sewerage network		589	413
– Swimming pools		210	210
– Other open space/recreational assets		256	256
<b>Other assets:</b>			
– Heritage collections		1	1
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	15,10	(116)	30
Intangible assets	11	43	43
<b>Total gross depreciation and amortisation costs</b>		<b>9,138</b>	<b>8,941</b>
<b>Total depreciation and amortisation costs</b>		<b>9,138</b>	<b>8,941</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>	10		
– Footpaths		206	–
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>206</b>	<b>–</b>
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>206</b>	<b>–</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</b>		<b>9,344</b>	<b>8,941</b>

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

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

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

**Impairment of non-financial assets**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(e) Other expenses</b>		
Advertising	66	102
Training costs (other than salaries and wages)	112	168
Bad and doubtful debts	7	3
Bank charges	44	41
Computer software charges	260	141
Contributions/levies to other levels of government:		
Contributions/levies to other levels of government	55	—
– Emergency services levy (includes FRNSW, SES, and RFS levies)	506	411
– Waste levy	23	181
– REROC Contributions	35	23
– Other contributions/levies	104	109
Mayoral fee	26	26
Councillor fees	107	107
Councillor expenses – other (excluding fees above)	78	74
Donations, contributions and assistance to other organisations (Section 356)	22	42
Contribution regional library service	196	192
Electricity and heating	546	566
Insurance	686	697
Postage	76	86
Printing and stationery	108	101
Street lighting	220	322
Subscriptions and publications	84	124
Telephone and communications	146	192
Tourism expenses (excluding employee costs)	52	69
Valuation fees	50	53
<b>Total other expenses</b>	<b>3,609</b>	<b>3,830</b>
<b>TOTAL OTHER EXPENSES</b>	<b>3,609</b>	<b>3,830</b>

**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
<b>Plant and equipment</b>	10		
Proceeds from disposal – plant and equipment		1,223	1,208
Less: carrying amount of plant and equipment assets sold/written off		(245)	(457)
<b>Net gain/(loss) on disposal</b>		<b>978</b>	<b>751</b>
<b>Infrastructure</b>	10		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(1,662)	(1,469)
<b>Net gain/(loss) on disposal</b>		<b>(1,662)</b>	<b>(1,469)</b>
<b>Real estate assets held for sale</b>	9		
Proceeds from disposal – real estate assets		347	793
Less: carrying amount of real estate assets sold/written off		(41)	(924)
<b>Net gain/(loss) on disposal</b>		<b>306</b>	<b>(131)</b>
<b>Investments</b>	7(b)		
Proceeds from disposal/redemptions/maturities – investments		22,734	27,383
Less: carrying amount of investments sold/redeemed/matured		(21,948)	(27,383)
<b>Net gain/(loss) on disposal</b>		<b>786</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>408</b>	<b>(849)</b>

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	2,585	412
Cash-equivalent assets		
– Deposits at call	2,115	5,387
– Short-term deposits	3,008	4,110
<b>Total cash and cash equivalents</b>	<b>7,708</b>	<b>9,909</b>

**Accounting policy for cash and cash equivalents**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
a. 'Financial assets at amortised cost' / 'held to maturity' (2018)	9,073	–	17,106	–
<b>Total Investments</b>	<b>9,073</b>	<b>–</b>	<b>17,106</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>16,781</b>	<b>–</b>	<b>27,015</b>	<b>–</b>
<b>Financial assets at amortised cost</b>				
Long term deposits	9,073	–	17,106	–
<b>Total</b>	<b>9,073</b>	<b>–</b>	<b>17,106</b>	<b>–</b>

## 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 at amortised cost.

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 and cash and cash equivalents and investments in the Statement of Financial Position.

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	16,781	–	27,015	–
<b>attributable to:</b>				
External restrictions	8,166	–	15,473	–
Internal restrictions	7,363	–	8,192	–
Unrestricted	1,252	–	3,350	–
	16,781	–	27,015	–

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

## Details of restrictions

## External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	2,510	–
Specific purpose unexpended grants – water fund (2020 only)	–	–
Specific purpose unexpended grants – sewer fund (2020 only)	–	–
<b>External restrictions – included in liabilities</b>	<b>2,510</b>	<b>–</b>

## External restrictions

Developer contributions – general	20	–
RMS contributions	–	10
Specific purpose unexpended grants (recognised as revenue) – general fund	81	5,284
Water supplies	3,132	2,686
Sewerage services	1,385	3,980
Stormwater management	–	263
Town improvement district	–	1,317
Domestic waste management	1,038	1,933
<b>External restrictions</b>	<b>5,656</b>	<b>15,473</b>

## Total external restrictions

## Internal restrictions

Plant and vehicle replacement	1,033	721
Employees leave entitlement	1,789	1,580
Incomplete works	–	33
Aerodrome bitumen resurfacing	166	245
Bradman's birthplace	64	53
Coolac bypass	–	102
Cootamundra caravan park	113	92
Development	593	594
Heritage centre	17	14
Merger implementation fund	–	1,530
Prepaid financial assistance grant	2,801	2,711
Quarries and pit restoration	1	16
Special projects	–	454
Saleyards	–	35
Swimming pool pump and equipment	–	12
Southern Phone Proceeds	786	–
<b>Total internal restrictions</b>	<b>7,363</b>	<b>8,192</b>

## TOTAL RESTRICTIONS

15,529	23,665
--------	--------

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	746	–	755	–
Interest and extra charges	130	–	141	–
User charges and fees	876	–	1,103	–
Private works	9	–	21	–
Accrued revenues				
– Interest on investments	37	–	156	–
– Other income accruals	–	–	7	–
Deferred debtors	23	89	4	12
Government grants and subsidies	–	–	2,327	–
Net GST receivable	296	–	516	–
Other debtors	47	–	15	–
<b>Total</b>	<b>2,164</b>	<b>89</b>	<b>5,045</b>	<b>12</b>
<b>Less: provision of impairment</b>				
User charges and fees	(8)	–	(8)	–
<b>Total provision for impairment – receivables</b>	<b>(8)</b>	<b>–</b>	<b>(8)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>2,156</u></b>	<b><u>89</u></b>	<b><u>5,037</u></b>	<b><u>12</u></b>

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year	8	8
<b>Balance at the end of the year</b>	<b>8</b>	<b>8</b>

## Accounting policy for receivables

## Recognition and measurement

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

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

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

## Impairment

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

---

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

#### Covid 19

Council's rate and user charges collections have not been significantly impacted by the Covid 19 pandemic and are comparable to prior years, therefore no adjustment has been made to the impairment provision. Cashflows and interest income may be impacted in 2020/21 due to the State Government legislating that rate instalments can be deferred until September 30 and no interest can be charged for the first 6 months. The impact this may have is not able to be measured at this stage however it is not expected to be significant.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Inventories</b>				
<b>Inventories at cost</b>				
Real estate for resale	23	1,302	22	1,158
Stores and materials	748	–	793	–
Trading stock	50	–	39	–
<b>Total inventories at cost</b>	<b>821</b>	<b>1,302</b>	<b>854</b>	<b>1,158</b>
<b>TOTAL INVENTORIES</b>	<b>821</b>	<b>1,302</b>	<b>854</b>	<b>1,158</b>

## (i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Details for real estate development</b>					
Residential		23	1,302	22	1,158
<b>Total real estate for resale</b>		<b>23</b>	<b>1,302</b>	<b>22</b>	<b>1,158</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		23	1,302	22	1,158
<b>Total costs</b>		<b>23</b>	<b>1,302</b>	<b>22</b>	<b>1,158</b>
<b>Total real estate for resale</b>		<b>23</b>	<b>1,302</b>	<b>22</b>	<b>1,158</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		22	1,158	41	1,282
– Purchases and other costs		–	186	722	59
– WDV of sales (expense)	6	(41)	–	(924)	–
– Transfer between current/non-current		42	(42)	183	(183)
<b>Total real estate for resale</b>		<b>23</b>	<b>1,302</b>	<b>22</b>	<b>1,158</b>

## Accounting policy for inventories and other assets

## Raw materials and stores, work in progress and finished goods

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

## Land held for resale/capitalisation of borrowing costs

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>													
Capital work in progress	7,541	—	7,541	7,264	—	—	—	—	(4,270)	—	10,535	—	10,535
Plant and equipment	17,136	(8,852)	8,284	—	2,069	(245)	(1,455)	—	—	—	17,801	(9,148)	8,653
Office equipment	1,452	(1,088)	364	—	—	—	(106)	—	—	—	1,453	(1,195)	258
Furniture and fittings	653	(470)	183	—	—	—	(45)	—	19	—	672	(515)	157
<b>Land:</b>													
– Operational land	6,313	—	6,313	—	—	—	—	—	125	—	6,438	—	6,438
– Community land	5,048	—	5,048	—	—	—	—	—	99	—	5,147	—	5,147
– Land under roads (post 30/6/08)	136	—	136	—	—	—	—	—	—	—	136	—	136
Land improvements – non-depreciable	30	—	30	—	—	—	—	—	—	—	30	—	30
Land improvements – depreciable	479	(224)	255	—	—	—	(14)	—	—	—	479	(238)	241
<b>Infrastructure:</b>													
– Buildings – non-specialised	2,495	(1,259)	1,236	—	—	—	(48)	—	—	—	2,495	(1,307)	1,188
– Buildings – specialised	40,077	(21,810)	18,267	—	—	—	(811)	—	1,826	—	41,903	(22,621)	19,282
– Other structures	9,750	(3,886)	5,864	—	—	—	(410)	—	264	—	10,014	(4,296)	5,718
– Roads	234,201	(98,391)	135,810	5,018	—	(1,188)	(4,166)	—	—	63,395	307,471	(108,602)	198,869
– Bridges	44,300	(21,907)	22,393	314	—	(50)	(355)	—	—	15,502	67,083	(29,279)	37,804
– Footpaths	6,375	(2,173)	4,202	88	—	(14)	(86)	(206)	—	—	6,512	(2,528)	3,984
– Bulk earthworks (non-depreciable)	105,070	—	105,070	—	—	—	—	—	—	97,922	202,992	—	202,992
– Stormwater drainage	17,306	(6,322)	10,984	1,225	—	—	(173)	—	—	—	18,531	(6,495)	12,036
– Water supply network	32,520	(16,333)	16,187	5,414	—	(347)	(486)	—	—	150	36,416	(15,498)	20,918
– Sewerage network	50,986	(27,158)	23,828	608	—	(63)	(589)	—	—	226	51,567	(27,557)	24,010
– Swimming pools	6,156	(2,779)	3,377	—	—	—	(210)	—	693	—	6,849	(2,989)	3,860
– Other open space/recreational assets	13,189	(6,217)	6,972	—	—	—	(256)	—	1,244	—	14,433	(6,473)	7,960
<b>Other assets:</b>													
– Heritage collections	40	(12)	28	—	—	—	(1)	—	—	—	40	(13)	27
<b>Reinstatement, rehabilitation and restoration assets (refer Note 15):</b>													
– Tip assets	670	(30)	640	—	—	—	116	—	—	—	670	86	756
<b>Total Infrastructure, property, plant and equipment</b>	<b>601,923</b>	<b>(218,911)</b>	<b>383,012</b>	<b>19,931</b>	<b>2,069</b>	<b>(1,907)</b>	<b>(9,095)</b>	<b>(206)</b>	<b>—</b>	<b>177,195</b>	<b>809,667</b>	<b>(238,668)</b>	<b>570,999</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/18			Asset movements during the reporting period					as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	–	–	–	4,497	3,044	–	–	–	7,541	–	7,541
Plant and equipment	15,048	(8,310)	6,738	–	3,565	(457)	(1,562)	–	17,136	(8,852)	8,284
Office equipment	1,341	(993)	348	–	111	–	(95)	–	1,452	(1,088)	364
Furniture and fittings	653	(424)	229	–	–	–	(46)	–	653	(470)	183
<b>Land:</b>											
– Operational land	6,266	–	6,266	–	47	–	–	–	6,313	–	6,313
– Community land	5,048	–	5,048	–	–	–	–	–	5,048	–	5,048
– Land under roads (post 30/6/08)	136	–	136	–	–	–	–	–	136	–	136
Land improvements – non-depreciable	30	–	30	–	–	–	–	–	30	–	30
Land improvements – depreciable	479	(210)	269	–	–	–	(14)	–	479	(224)	255
<b>Infrastructure:</b>											
– Buildings – non-specialised	2,229	(1,213)	1,016	–	266	–	(46)	–	2,495	(1,259)	1,236
– Buildings – specialised	39,918	(20,999)	18,919	5	154	–	(811)	–	40,077	(21,810)	18,267
– Other structures	8,406	(3,490)	4,916	372	972	–	(396)	–	9,750	(3,886)	5,864
– Roads	231,870	(95,786)	136,084	4,548	–	(1,035)	(3,787)	–	234,201	(98,391)	135,810
– Bridges	44,006	(21,431)	22,575	294	–	–	(476)	–	44,300	(21,907)	22,393
– Footpaths	6,173	(2,144)	4,029	390	–	(98)	(119)	–	6,375	(2,173)	4,202
– Bulk earthworks (non-depreciable)	105,070	–	105,070	–	–	–	–	–	105,070	–	105,070
– Stormwater drainage	17,238	(6,149)	11,089	68	–	–	(173)	–	17,306	(6,322)	10,984
– Water supply network	31,580	(16,789)	14,791	1,878	–	(244)	(463)	225	32,520	(16,333)	16,187
– Sewerage network	50,127	(26,969)	23,158	813	–	(92)	(413)	362	50,986	(27,158)	23,828
– Swimming pools	6,156	(2,569)	3,587	–	–	–	(210)	–	6,156	(2,779)	3,377
– Other open space/recreational assets	13,189	(5,961)	7,228	–	–	–	(256)	–	13,189	(6,217)	6,972
<b>Other assets:</b>											
– Heritage collections	40	(11)	29	–	–	–	(1)	–	40	(12)	28
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>											
– Tip assets	670	–	670	–	–	–	(30)	–	670	(30)	640
<b>Total Infrastructure, property, plant and equipment</b>	<b>585,673</b>	<b>(213,448)</b>	<b>372,225</b>	<b>12,865</b>	<b>8,159</b>	<b>(1,926)</b>	<b>(8,898)</b>	<b>587</b>	<b>601,923</b>	<b>(218,911)</b>	<b>383,012</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

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

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 20	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 10	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Reservoirs	80 to 100	Drains	70 to 200
Treatment Works	30 to 100	Culverts	100
Reticulation pipes: PVC	70 to 80	Flood control structures	100 to 200
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	15 to 40	Bulk earthworks	infinite
Sealed roads: structure	75 to 125	Swimming pools	60 to 100
Unsealed roads	20	Other open space/recreational assets	5 to 60
Bridge: concrete	80 to 130		
Bridge: other	70 to 100		
Road pavements	100		
Kerb, gutter and footpaths	30 to 60		

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

#### 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*.

#### Crown reserves

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

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

#### Rural Fire Service assets

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	420	420
Accumulated amortisation	(205)	(163)
<b>Net book value – opening balance</b>	<b>215</b>	<b>257</b>
<b>Movements for the year</b>		
– Other movements	–	1
– Amortisation charges	(43)	(43)
<b>Closing values at 30 June</b>		
Gross book value	420	420
Accumulated amortisation	(248)	(205)
<b>Total software – net book value</b>	<b>172</b>	<b>215</b>
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<b>172</b>	<b>215</b>

## Accounting policy for intangible assets

## IT development and software

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
<b>(a) Contract assets</b>			
Grants		5,570	—
<b>Total Contract assets</b>		<b>5,570</b>	<b>—</b>

\$ '000	Notes	2020 Current	2020 Non-current
<b>(b) Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	1,065	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	1,445	—
<b>Total grants received in advance</b>		<b>2,510</b>	<b>—</b>
<b>Total contract liabilities</b>		<b>2,510</b>	<b>—</b>

**Notes**

(i) Council has received funding to construct assets including sporting facilities and other recreation 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
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	1,207
Operating grants (received prior to performance obligation being satisfied)	1,682
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>2,889</b>

**Significant changes in contract assets and liabilities**

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

**Accounting policy for contract assets and liabilities**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases

## Council as a lessor

## Operating leases

Council leases out a number of properties for staff housing, health services, training providers, emergency services and community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E. They have not been classified under AASB 140 Investment Property as they are either occupied by council employees or held for strategic purposes.

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

\$ '000	2020
<b>(i) Operating lease income</b>	
<b>Other lease income</b>	
Commercial rental	169
Residential rental	19
Agistment	33
<b>Total income relating to operating leases</b>	<b>221</b>

**(iv) Maturity analysis of contractual lease income**

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

< 1 year	213
1–2 years	191
2–3 years	189
3–4 years	181
4–5 years	177
> 5 years	27
<b>Total undiscounted contractual lease income receivable</b>	<b>978</b>

## Accounting policy

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	3,162	–	3,095	–
Accrued expenses:				
– Borrowings	37	–	28	–
– Salaries and wages	105	–	255	–
Other	2	–	2	–
Prepaid rates	540	–	–	–
<b>Total payables</b>	<b>3,846</b>	<b>–</b>	<b>3,380</b>	<b>–</b>
<b>Income received in advance (2019 only)</b>				
Payments received in advance	–	–	468	–
<b>Total income received in advance</b>	<b>–</b>	<b>–</b>	<b>468</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	866	5,771	448	2,173
<b>Total borrowings</b>	<b>866</b>	<b>5,771</b>	<b>448</b>	<b>2,173</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>4,712</b>	<b>5,771</b>	<b>4,296</b>	<b>2,173</b>

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

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

## (a) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Drawdown/ Repayment of Principal	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	2,621	(414)	4,430	–	–	–	6,637
<b>TOTAL</b>	<b>2,621</b>	<b>(414)</b>	<b>4,430</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6,637</b>

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	3,049	(428)	–	–	–	2,621
<b>TOTAL</b>	<b>3,049</b>	<b>(428)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,621</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings (continued)

\$ '000	2020	2019
<b>(b) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Credit cards/purchase cards	49	65
<b>Total financing arrangements</b>	<b>49</b>	<b>65</b>
<b>Drawn facilities as at balance date:</b>		
– Credit cards/purchase cards	9	24
<b>Total drawn financing arrangements</b>	<b>9</b>	<b>24</b>
<b>Undrawn facilities as at balance date:</b>		
– Credit cards/purchase cards	40	41
<b>Total undrawn financing arrangements</b>	<b>40</b>	<b>41</b>

**Accounting policy for payables and borrowings**

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

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

**Payables**

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

**Borrowings**

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

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

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
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	1,566	–	1,340	–
Long service leave	2,632	416	2,475	148
<b>Sub-total – aggregate employee benefits</b>	<b>4,198</b>	<b>416</b>	<b>3,815</b>	<b>148</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	670	–	670
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>670</b>	<b>–</b>	<b>670</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>4,198</u></b>	<b><u>1,086</u></b>	<b><u>3,815</u></b>	<b><u>818</u></b>

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

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

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

Provisions – employees benefits	3,807	2,880
	<b>3,807</b>	<b>2,880</b>

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

\$ '000	Other provisions	
	Asset remediation	Total
<b>2020</b>		
At beginning of year	670	670
Total other provisions at end of year	<b>670</b>	<b>670</b>
<b>2019</b>		
At beginning of year	670	670
Total other provisions at end of year	<b>670</b>	<b>670</b>

**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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

---

#### Employee benefits

##### Short-term obligations

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

##### Other long-term employee benefit obligations

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

##### On-costs

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

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

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

##### Asset remediation

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

### 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.



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

---

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

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

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

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

##### **Statement of Financial Position**

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

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

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

##### **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 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

## 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)**

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:

- An additional line item for contract liabilities has been created.

	<b>Balance at 1 July 2019</b>
<b>\$ '000</b>	
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract liabilities</b>	
– Under AASB 1058	5,196
<b>Total Contract liabilities</b>	<b>5,196</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

## Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific ation	Remeasure ment	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	7,708	—	—	7,708	
Investments	9,073	—	—	9,073	
Receivables	2,156	—	—	2,156	
Inventories	821	—	—	821	
Contract assets	5,570	—	—	5,570	
<b>Total current assets</b>	<b>25,328</b>	<b>—</b>	<b>—</b>	<b>25,328</b>	
<b>Current liabilities</b>					
Payables	3,846	—	—	3,846	
Contract liabilities	2,510	—	(2,510)	—	
Borrowings	866	—	—	866	
Provisions	4,198	—	—	4,198	
<b>Total current liabilities</b>	<b>11,420</b>	<b>—</b>	<b>(2,510)</b>	<b>8,910</b>	
<b>Non-current assets</b>					
Receivables	89	—	—	89	
Inventories	1,302	—	—	1,302	
Infrastructure, property, plant and equipment	570,999	—	—	570,999	
Intangible assets	172	—	—	172	
<b>Total non-current assets</b>	<b>572,562</b>	<b>—</b>	<b>—</b>	<b>572,562</b>	
<b>Non-current liabilities</b>					
Borrowings	5,771	—	—	5,771	
Provisions	1,086	—	—	1,086	
<b>Total Non-current liabilities</b>	<b>6,857</b>	<b>—</b>	<b>—</b>	<b>6,857</b>	
<b>Net assets</b>	<b>579,613</b>	<b>—</b>	<b>2,510</b>	<b>582,123</b>	
<b>Equity</b>					
Accumulated surplus	398,830	—	2,510	401,340	
Revaluation reserves	180,783	—	—	180,783	
<b>Council equity interest</b>	<b>579,613</b>	<b>—</b>	<b>2,510</b>	<b>582,123</b>	
<b>Total equity</b>	<b>579,613</b>	<b>—</b>	<b>2,510</b>	<b>582,123</b>	

Funds under AASB 15 and AASB 1058 which have been received prior to the satisfaction of the performance obligation.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

<b>\$ '000</b>	<b>Income Statement and comprehensive income under AASB 15 and AASB 1058</b>	<b>Reclassification</b>	<b>Remeasurement</b>	<b>Income Statement and comprehensive income under previous revenue standards</b>
<u>Income from continuing operations</u>				
Rates and annual charges	13,335	–	–	13,335
User charges and fees	8,343	–	–	8,343
Other revenues	895	–	–	895
Grants and contributions provided for operating purposes	9,926	–	(1,445)	8,481
Grants and contributions provided for capital purposes	7,661	–	(1,065)	6,596
Interest and investment income	407	–	–	407
Net gains from the disposal of assets	408	–	–	408
Rental income	221	–	–	221
<b>Total Income from continuing operations</b>	<b>41,196</b>	<b>–</b>	<b>(2,510)</b>	<b>38,686</b>
<u>Expenses from continuing operations</u>				
Employee benefits and on-costs	12,931	–	–	12,931
Borrowing costs	120	–	–	120
Materials and contracts	13,779	–	–	13,779
Depreciation and amortisation	9,138	–	–	9,138
Other expenses	3,609	–	–	3,609
Revaluation decrement / impairment of IPP&E	206	–	–	206
<b>Total Expenses from continuing operations</b>	<b>39,783</b>	<b>–</b>	<b>–</b>	<b>39,783</b>
<b>Total Operating result from continuing operations</b>	<b>1,413</b>	<b>–</b>	<b>(2,510)</b>	<b>(1,097)</b>
<b>Net operating result for the year</b>	<b>1,413</b>	<b>–</b>	<b>(2,510)</b>	<b>(1,097)</b>
<b>Total comprehensive income</b>	<b>178,608</b>	<b>–</b>	<b>–</b>	<b>178,608</b>

Difference in revenue between recognition on receipt under the old standards and as/when performance obligations are met under the new standards.

## 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)

## 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
<b>Total assets</b>	<b>417,303</b>	<b>–</b>	<b>417,303</b>
Contract liabilities	–	5,196	5,196
<b>Total liabilities</b>	<b>11,102</b>	<b>5,196</b>	<b>16,298</b>
Accumulated surplus	402,613	(5,196)	397,417
<b>Total equity</b>	<b>406,201</b>	<b>(5,196)</b>	<b>401,005</b>

## (iii) AASB 16 Leases

\$ '000	Balance at 1 July 2019
---------	---------------------------

**Council as a lessor**

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

**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.

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

Practical expedients used on transition

- 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

There is no financial statement impact due to the adoption of AASB 16.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	7,708	9,909
<b>Balance as per the Statement of Cash Flows</b>		<b>7,708</b>	<b>9,909</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		1,413	4,347
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		9,138	8,941
Net losses/(gains) on disposal of assets		(408)	849
Adoption of AASB 15/1058		(5,196)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		206	–
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		2,804	(2,594)
Decrease/(increase) in inventories		34	(231)
Decrease/(increase) in contract assets		(5,570)	–
Increase/(decrease) in payables		67	1,480
Increase/(decrease) in accrued interest payable		9	(6)
Increase/(decrease) in other accrued expenses payable		(150)	(109)
Increase/(decrease) in other liabilities		72	23
Increase/(decrease) in contract liabilities		2,510	–
Increase/(decrease) in provision for employee benefits		651	511
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>5,580</b>	<b>13,211</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Commitments

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

## 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

Other	—	630
<b>Total commitments</b>	<b>—</b>	<b>630</b>

## These expenditures are payable as follows:

Within the next year	—	630
<b>Total payable</b>	<b>—</b>	<b>630</b>

## Sources for funding of capital commitments:

Future grants and contributions	—	630
<b>Total sources of funding</b>	<b>—</b>	<b>630</b>

## Details of capital commitments

Equipment for new playgrounds in Cootamundra and Gundagai.



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Contingencies

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

##### *Description of the funding arrangements.*

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

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 \$140,334. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 30 June 2019.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Contingencies (continued)

Council's expected contribution to the plan for the next annual reporting period is \$124,944.60.

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

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

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

Based on Past Service Liabilities methodology, Council's share of the surplus that can be attributed is 0.19%.

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.

**(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 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

**(iii) StateCover Limited**

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

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

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

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

**(iv) Other guarantees**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. 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

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

##### ii) Riverina Regional Library

Cootamundra-Gundagai Regional Council is a member of Riverina Regional Library. This joint arrangement has been established to provide library services to the member councils of Bland, Coolamon, Junee, Federation, Greater Hume, Junee, Lockhart, Temora, Snowy Valleys and Wagga Wagga.

As at 30 June 2020 Council's ownership interest in the Riverina Regional Library was 8.17%.

There are 23 voting delegates, 2 of whom represent Cootamundra-Gundagai Regional Council. This equates to 8.69% voting power. No member Council "controls" Riverina Regional Library.

Council has no interest in any other reserves at the beginning or end of the reporting period with respect to the Riverina Regional Library. Riverina Regional Library figures have not been consolidated with Council's activities.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management

## Risk management

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

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

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

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

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

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the instruments held are:

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2020</b>				
Possible impact of a 1% movement in interest rates	170	170	(170)	(170)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	171	171	(171)	(171)

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

## (b) Credit risk

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

## Credit risk profile

## Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount	502	113	47	54	30	746
<b>2019</b>						
Gross carrying amount	501	118	47	58	31	755

## 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
<b>2020</b>						
Gross carrying amount	809	74	6	151	467	1,507
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	—	—	—	—	—	—
<b>2019</b>						
Gross carrying amount	2,986	1,234	19	22	41	4,302
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	—	—	—	—	—	—

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. 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:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2020</b>							
Trade/other payables	0.00%	–	3,306	–	–	3,306	3,306
Loans and advances	2.74%	–	1,066	3,881	2,534	7,481	6,637
<b>Total financial liabilities</b>		–	<b>4,372</b>	<b>3,881</b>	<b>2,534</b>	<b>10,787</b>	<b>9,943</b>
<b>2019</b>							
Trade/other payables	0.00%	–	3,178	–	–	3,178	3,380
Loans and advances	4.73%	–	559	2,044	184	2,787	2,621
<b>Total financial liabilities</b>		–	<b>3,737</b>	<b>2,044</b>	<b>184</b>	<b>5,965</b>	<b>6,001</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 25/06/2019 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 -----	
<b>REVENUES</b>				
Rates and annual charges	12,975	13,335	360	3% <b>F</b>
User charges and fees	8,181	8,343	162	2% <b>F</b>
Other revenues Budgeted to other areas.	400	895	495	124% <b>F</b>
Operating grants and contributions	10,511	9,926	(585)	(6)% <b>U</b>
Capital grants and contributions Construction of the Gundagai Sewerage Treatment Plant was delayed, with a subsequent delay in grant funding for the project.	13,407	7,661	(5,746)	(43)% <b>U</b>
Interest and investment revenue Shortfall is due to the sharp fall in interest rates.	677	407	(270)	(40)% <b>U</b>
Net gains from disposal of assets	–	408	408	∞ <b>F</b>
Rental income	–	221	221	∞ <b>F</b>
<b>EXPENSES</b>				
Employee benefits and on-costs	11,955	12,931	(976)	(8)% <b>U</b>
Borrowing costs Drawdown of a loan for the replacement of water mains in Cootamundra occurred later than expected.	184	120	64	35% <b>F</b>
Materials and contracts	13,698	13,779	(81)	(1)% <b>U</b>
Depreciation and amortisation Previous year revaluation of buildings and recreational assets resulted in increased depreciation of those assets being recognised.	7,677	9,138	(1,461)	(19)% <b>U</b>
Other expenses On the advice of the Office of Local Government, \$1.4m was budgeted for the possibility that expenditure of merger implementation funds were ruled invalid and had to be repaid. This did not occur.	4,988	3,609	1,379	28% <b>F</b>
Net losses from disposal of assets	–	–	–	∞ <b>F</b>
Revaluation decrement / impairment of IPP&E	–	206	(206)	∞ <b>U</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Material budget variations (continued)

	2020	2020	2020	
\$ '000	Budget	Actual	Variance	

**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	<b>19,322</b>	<b>5,676</b>	<b>(13,646)</b>	<b>(71)%</b>	<b>U</b>
---	---------------	--------------	-----------------	--------------	----------

Delays in grant funded projects, particularly the Gundagai Sewerage Treatment Plant, resulted in deferred claims.

<b>Cash flows from investing activities</b>	<b>(18,951)</b>	<b>(11,893)</b>	<b>7,058</b>	<b>(37)%</b>	<b>F</b>
---	-----------------	-----------------	--------------	--------------	----------

Construction of the Gundagai Sewerage Treatment Plant was delayed.

<b>Cash flows from financing activities</b>	<b>3,441</b>	<b>4,016</b>	<b>575</b>	<b>17%</b>	<b>F</b>
---	--------------	--------------	------------	------------	----------

A loan was drawn down later than expected, resulting in fewer repayments.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2020	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					
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant & equipment	30/06/20	–	–	–	–
Office equipment	30/06/20	–	–	–	–
Furniture & fittings	30/06/20	–	–	–	–
Operational land	30/06/18	–	6,438	–	6,438
Community land	30/06/18	–	–	5,147	5,147
Land under roads (post 30/6/08)	30/06/20	–	–	136	136
Land improvements – non-depreciable	12/05/16	–	–	30	30
Land improvements – depreciable	12/05/16	–	–	241	241
Non-specialised buildings	30/06/18	–	–	1,188	1,188
Specialised buildings	30/06/18	–	–	19,282	19,282
Other structures	30/06/18	–	–	5,718	5,718
Roads	30/06/20	–	–	198,869	198,869
Bridges	30/06/20	–	–	37,804	37,804
Footpaths	30/06/20	–	–	3,984	3,984
Bulk earthworks	30/06/20	–	–	202,992	202,992
Stormwater drainage	30/06/15	–	–	12,036	12,036
Water supply network	30/06/17	–	–	20,918	20,918
Sewerage network	30/06/17	–	–	24,010	24,010
Swimming pools	30/06/18	–	–	3,860	3,860
Other open space/recreational assets	30/06/18	–	–	7,960	7,960
Heritage collections	12/05/16	–	–	27	27
Tip restoration asset	30/06/18	–	–	756	756
<b>Total infrastructure, property, plant and equipment</b>		–	6,438	544,958	551,396

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant & equipment	30/06/19	—	8,284	—	8,284
Office equipment	30/06/19	—	364	—	364
Furniture & fittings	30/06/19	—	183	—	183
Operational land	30/06/18	—	6,313	—	6,313
Community land	30/06/18	—	—	5,048	5,048
Land under roads (post 30/6/08)	30/06/14	—	—	136	136
Land improvements – non-depreciable	12/05/16	—	—	30	30
Land improvements – depreciable	12/05/16	—	—	255	255
Non-specialised buildings	30/06/18	—	—	1,236	1,236
Specialised buildings	30/06/18	—	—	18,267	18,267
Other structures	30/06/18	—	—	5,864	5,864
Roads	30/06/15	—	—	135,810	135,810
Bridges	30/06/15	—	—	22,393	22,393
Footpaths	30/06/15	—	—	4,202	4,202
Bulk earthworks	30/06/15	—	—	105,070	105,070
Stormwater drainage	30/06/15	—	—	10,984	10,984
Water supply network	30/06/17	—	—	16,187	16,187
Sewerage network	30/06/17	—	—	23,828	23,828
Swimming pools	30/06/18	—	—	3,377	3,377
Other open space/recreational assets	30/06/18	—	—	6,972	6,972
Heritage collections	12/05/16	—	—	28	28
Tip restoration asset	30/06/18	—	—	640	640
<b>Total infrastructure, property, plant and equipment</b>		—	15,144	360,327	375,471

Note that capital WIP, Plant & Equipment, Office Equipment and Furniture & Fittings are not included above as they are 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.

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

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

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

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

##### Level 2 Inputs

##### Plant & equipment

It is considered that there is a liquid second hand market for Council's plant & equipment, however, there is subjectivity of prices in this market dependant on the age and condition of the equipment being sold. Plant & equipment are valued at written down value and disclosed at fair value.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

---

#### Office equipment & Furniture & fittings

There is a liquid second hand market for these type of assets, but the market is not liquid enough to qualify the assets as valued at level 1. These assets typically have very short useful lives, are held to the end of their economic life and have no residual value. The written down value reflects their value in use rather than their market value and are therefore valued at written down value and disclosed at fair value.

#### Operational land

There is an active liquid market for most of Council's operational land, however, the subjectivity of pricing has resulted in this land to be classified as level 2. Operational land has been valued as at 30 June 2018 by an external valuer, Australis, taking into consideration the land characteristics, location, zoning, proximity to services and comparable sales.

#### Level 3 Inputs

#### Capital works in progress

These assets are valued at the cost of construction of the asset. As there is no active market for any of the infrastructure assets that are partially constructed, the only valuation is costs, or inputs to the construction work.

#### Community land

Community land has been valued as at 30 June 2018 by an external valuer, Australis, taking into consideration the land characteristics, location, zoning, and proximity to services.

#### Land under roads

Council has elected to only recognise land under roads which was acquired after 30 June 2008. There is no market for land that is currently used for road or road reserve purposes. The NSW Valuer General's valuations of neighbouring land was used to calculate the value of land under roads.

#### Land improvements

There is no active market for sale of land improvements, therefore land improvements are valued at written down value and disclosed at fair value.

#### Buildings & Other structures

Buildings and other structures were valued as at 30 June 2018 by external valuers, Australis. Non-specialised building are valued using a market based approach where an active market could be identified. Other buildings and structures are valued using depreciated replacement cost taking into account the useful lives and condition of the asset.

#### Roads, Bridges, Footpaths, Bulk earthworks & Stormwater drainage

Roads assets were valued using a combination of external valuers and internal professional Council staff. The assets were componentised and valued at the depreciated replacement cost method, taking into account unit rates, useful lives and asset condition.

#### Water supply network & Sewerage network

Council's water and sewer assets were valued by external valuers as at 30 June 2017. The value represents the depreciated replacement cost, taking into account the Crown Lands and Water's (CLAW) reference rates, useful lives, dimension, specification and asset condition. In between full valuations, these assets are indexed annually in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

#### Heritage collection

These assets include memorabilia and collectibles and are valued at written down value based upon cost and are disclosed at fair value.

**There were no changes in valuation techniques from prior years.**

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

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

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

\$ '000	Total IPP&E
<b>2019</b>	
<b>Opening balance</b>	358,644
Purchases (GBV)	9,760
Depreciation and impairment	(7,195)
FV gains – other comprehensive income	587
<b>Closing balance</b>	<b>361,796</b>
<b>2020</b>	
<b>Opening balance</b>	361,796
Purchases (GBV)	12,667
Depreciation and impairment	(7,489)
FV gains – other comprehensive income	172,800
<b>Closing balance</b>	<b>539,774</b>

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

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

	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>		
Capital work in progress	Cost of construction	Cost of materials, wages, plant
Community Land	Land values obtained by the NSW Valuer General	VG land value, land area, rate per sq metre
Land under Roads	Land values obtained by the NSW Valuer General	Adjoining land values based upon VG value, rate per sq metre
Land improvements	Depreciated replacement cost used to approximate fair value	Purchase price, useful life
Buildings & other structure	Combination of market value and depreciated replacement cost used to approximate fair value	Cost, unit rates, useful life, asset condition
Roads assets	Depreciated replacement cost used to approximate fair value	Unit rates, useful life, asset condition, replacement cost
Water & sewer	Depreciated replacement cost used to approximate fair value	Unit rates, useful life, asset condition, replacement cost
Heritage collection	Depreciated replacement cost used to approximate fair value	Cost, useful life

## (5) Highest and best use

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Related party disclosures

## (a) Key management personnel

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

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

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	444	710
Post-employment benefits	26	52
Termination benefits	—	38
<b>Total</b>	<b>470</b>	<b>800</b>

## (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
<b>\$ '000</b>					
<b>2020</b>					
Supply of new motor vehicles and motor vehicle servicing	173	—	At arm's length, normal commercial terms.	—	—
Supply of stationery, office supplies and newspapers	8	—	At arm's length, normal commercial terms.	—	—
<b>2019</b>					
Supply of new motor vehicles and motor vehicle servicing	109	—	At arm's length, normal commercial terms.	—	—
Supply of stationery, office supplies and newspapers	12	—	At arm's length, normal commercial terms.	—	—

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 24. Statement of developer contributions

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

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

## Summary of contributions and levies

	as at 30/06/19		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)
<b>\$ '000</b>									
<b>S7.12 levies – under a plan</b>	–		109	–	–	(89)	–	20	–
<b>Total S7.11 and S7.12 revenue under plans</b>	–		109	–	–	(89)	–	20	–
S64 contributions	–		15	–	–	(15)	–	–	–
<b>Total contributions</b>	–		124	–	–	(104)	–	20	–

## S7.12 Levies – under a plan

## CONTRIBUTION PLAN FOR OTHER DEVELOPMENTS (former Cootamundra)

Community facilities	–		109	–	–	(89)	–	20	–
<b>Total</b>	–		109	–	–	(89)	–	20	–

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25. Result by fund

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	9,634	1,630	2,071
User charges and fees	5,132	2,664	547
Interest and investment revenue	288	69	50
Other revenues	883	12	–
Grants and contributions provided for operating purposes	9,926	–	–
Grants and contributions provided for capital purposes	2,866	–	4,795
Net gains from disposal of assets	408	–	–
Rental income	221	–	–
<b>Total income from continuing operations</b>	<b>29,358</b>	<b>4,375</b>	<b>7,463</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	11,716	635	580
Borrowing costs	107	13	–
Materials and contracts	11,945	1,099	735
Depreciation and amortisation	8,037	502	599
Other expenses	1,369	2,036	204
Net losses from the disposal of assets	(410)	347	63
Revaluation decrement /impairment of IPPE	206	–	–
<b>Total expenses from continuing operations</b>	<b>32,970</b>	<b>4,632</b>	<b>2,181</b>
<b>Operating result from continuing operations</b>	<b>(3,612)</b>	<b>(257)</b>	<b>5,282</b>
<b>Net operating result for the year</b>	<b>(3,612)</b>	<b>(257)</b>	<b>5,282</b>
<b>Net operating result attributable to each council fund</b>	<b>(3,612)</b>	<b>(257)</b>	<b>5,282</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(6,478)</b>	<b>(257)</b>	<b>487</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25. Result by fund (continued)

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7,708	–	–
Investments	4,556	3,132	1,385
Receivables	4,350	529	270
Inventories	808	13	–
Contract assets	(416)	–	2,993
<b>Total current assets</b>	<b>17,006</b>	<b>3,674</b>	<b>4,648</b>
<b>Non-current assets</b>			
Receivables	89	–	–
Inventories	1,302	–	–
Infrastructure, property, plant and equipment	519,240	21,486	30,273
Intangible assets	172	–	–
<b>Total non-current assets</b>	<b>520,803</b>	<b>21,486</b>	<b>30,273</b>
<b>TOTAL ASSETS</b>	<b>537,809</b>	<b>25,160</b>	<b>34,921</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	3,696	–	–
Contract liabilities	2,510	–	–
Borrowings	509	357	–
Provisions	4,198	–	–
Income received in advance	–	150	–
<b>Total current liabilities</b>	<b>10,913</b>	<b>507</b>	<b>–</b>
<b>Non-current liabilities</b>			
Borrowings	2,128	3,643	–
Provisions	1,086	–	–
<b>Total non-current liabilities</b>	<b>3,214</b>	<b>3,643</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>14,127</b>	<b>4,150</b>	<b>–</b>
<b>Net assets</b>	<b>523,682</b>	<b>21,010</b>	<b>34,921</b>
<b>EQUITY</b>			
Accumulated surplus	346,275	18,671	33,884
Revaluation reserves	177,407	2,339	1,037
<b>Council equity interest</b>	<b>523,682</b>	<b>21,010</b>	<b>34,921</b>
<b>Total equity</b>	<b>523,682</b>	<b>21,010</b>	<b>34,921</b>

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(6,450)	(19.47)%	(5.79)%	(29.61)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	33,127				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	23,201	56.88%	54.93%	65.28%	>60.00%
Total continuing operating revenue <sup>1</sup>	40,788				
3. Unrestricted current ratio					
Current assets less all external restrictions	13,357	2.91x	3.27x	5.40x	>1.50x
Current liabilities less specific purpose liabilities	4,596				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	2,808	5.26x	12.67x	(0.66)x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	534				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	876	6.09%	6.37%	7.68%	<10.00%
Rates, annual and extra charges collectible	14,376				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	16,781	6.66 mths	10.59 mths	13.16 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	2,520				

(1) Excludes fair value adjustments, reversal of revaluation decrements and net gain on sale of assets.

(2) Excludes impairment/revaluation decrements and net loss on sale of assets.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(25.61)%	(5.60)%	(5.87)%	(9.94)%	18.25%	(1.32)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	55.81%	46.59%	100.00%	100.00%	35.75%	99.62%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	2.91x	3.27x	7.25x	3.86x	∞	268.00x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	2.81x	12.48x	19.85x	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	8.21%	6.17%	0.00%	0.75%	0.00%	11.04%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	6.66	7.80	∞	∞	∞	∞	>3.00
Payments from cash flow of operating and financing activities	mths	mths					mths

(1) - (2) Refer to Notes at Note 26a above.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 27. Council information and contact details

---

**Principal place of business:**

81 Wallendoon Street  
Cootamundra NSW 2590

#### Contact details

**Mailing Address:**

PO Box 420  
Cootamundra NSW 2590

**Telephone:** 02 6940 2100

**Facsimile:** 02 6940 2127

**Opening hours:**

9am - 5:00pm  
Monday to Friday

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

**Email:** [mail@cgrc.nsw.gov.au](mailto:mail@cgrc.nsw.gov.au)

#### Officers

**General Manager**

Phillip McMurray

**Responsible Accounting Officer**

Tim Swan

**Other Information**

ABN: 46 211 642 339

#### Elected members

**Mayor**

Abb McAlister

**Councillors**

Dennis Palmer (Deputy Mayor)

Leigh Bowden

David Graham

Gil Kelly

Penny Nicholson

Doug Phillips

Charlie Sheahan

Craig Stewart



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Cootamundra-Gundagai Regional Council

To the Councillors of Cootamundra-Gundagai Regional Council

### Opinion

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

In my opinion:

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

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

## Basis for Opinion

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

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

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

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

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

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

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Statements

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

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

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

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Nathan Carter  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

18 December 2020  
SYDNEY



Cr Abb McAlister  
Mayor  
Cootamundra-Gundagai Regional Council  
PO Box 420  
COOTAMUNDRA NSW 2590

Contact: Nathan Carter  
Phone no: (02) 9275 7349  
Our ref: FA1734/D2029533

18 December 2020

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2020  
Cootamundra-Gundagai Regional Council**






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

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

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

## INCOME STATEMENT

### Operating result

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	13.3	12.9	 3.1
Grants and contributions revenue	17.6	19.3	 8.8
Materials and contracts expense	13.8	12.5	 10.4
Operating result from continuing operations	1.4	4.3	 67.4
Net operating result before capital grants and contributions	(6.2)	(2.9)	 113.8

Rates and annual charges revenue was \$13.3 million (\$12.9 million for the year ended 30 June 2019). The increase of \$0.4 million (3.1%) was mainly due to the rate peg increase of 2.7%.

Grants and contributions revenue was \$17.6 million (\$19.3 million for the year ended 30 June 2019). The decrease of \$1.7 million (8.8%) was primarily due to a reduction of \$1.8 million in Stronger Communities operating grants.

Materials and contracts expenses was \$13.8 million (\$12.5 million for the year ended 30 June 2019). The increase of \$1.3 million (10.4%) is mainly due to a \$3.5 million increase in contractor and consultancy costs which is partially offset by an increase of \$1.5 million in capitalised costs from the prior year.

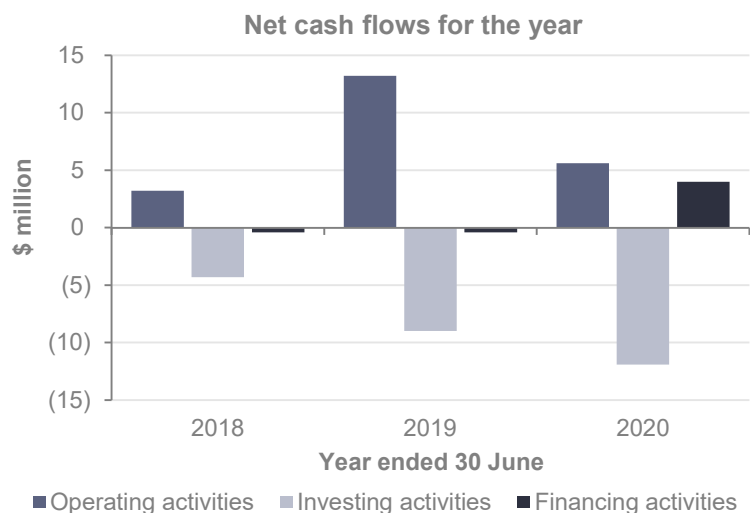
Council's net operating result was a surplus of \$1.4 million (\$4.3 million surplus for the year ended 30 June 2019). The decrease of \$2.9 million is mainly due to the decrease in grants and contributions revenue noted above.

The net operating result before capital grants and contributions was a deficit of \$6.2 million (\$2.9 million deficit for the year ended 30 June 2019). The decrease of \$3.3 million is mainly due to the decrease in grants and contributions provided for operating purposes of \$2.1 million and an increase in materials and contracts expenses noted above.



## STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$7.7 million (\$9.9 million for the year ended 30 June 2019). There was a net decrease in cash and cash equivalents of \$2.2 million at 30 June 2020.
- Net cash provided by operating activities has decreased by \$7.5 million. This is mainly due to the decrease in grants and contributions receipts of \$5.4 million.
- Net cash used in investing activities has increased by \$2.9 million. This is mainly due to a \$2.5 million increase in the net sales of investment securities.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	8.2	15.5	<ul style="list-style-type: none"> <li>• Externally restricted cash and investments are restricted in their use by externally imposed requirements. The \$7.3 million decrease is primarily due to a decrease in specific purpose unexpended grants in the general fund, sewerage services and town improvement funds.</li> <li>• Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The decrease of \$0.8 million in the internal restrictions is primarily due to the \$1.5 million decrease in Merger implementation funds from 2019.</li> <li>• Unrestricted cash and investments was \$1.2 million, which is available to provide liquidity for day-to-day operations of the Council. The \$2.1 million decrease is consistent with the \$2.2 million net outflow of cash and cash equivalents for the year ended 30 June 2020.</li> </ul>
Internal restrictions	7.4	8.2	
Unrestricted	1.2	3.3	
<b>Cash and investments</b>	<b>16.8</b>	<b>27.0</b>	

### Debt

Council has \$6.6 million of external borrowings (2019: \$2.6 million) which is secured over the revenue of Council. The \$4.0 million increase in borrowings relates to a new loan taken up to fund a water mains replacement project.

# PERFORMANCE

## Performance measures

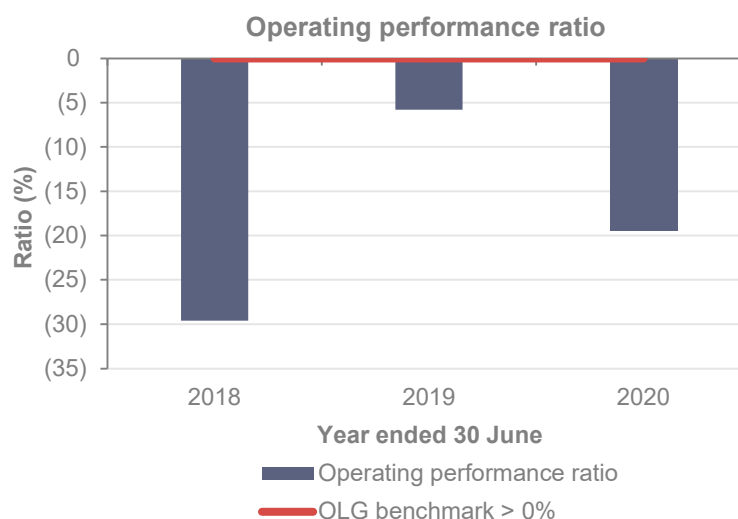
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

### 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.

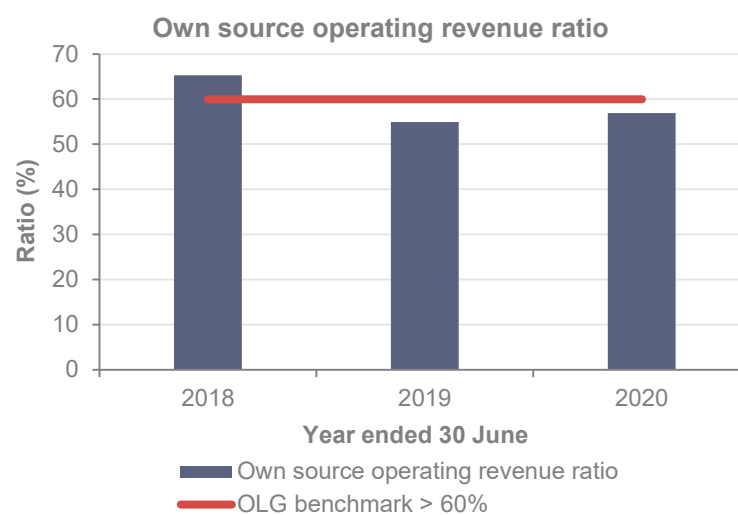
The operating performance ratio has also not met the benchmark in the previous two reporting periods, indicating operating expenditure is not being contained within operating revenue.



### Own source operating revenue ratio

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

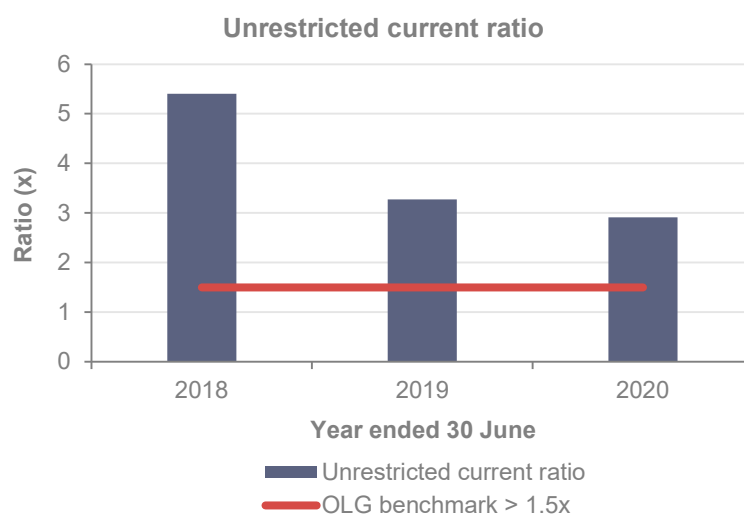
The Council did not meet the OLG benchmark for the current reporting period.



## Unrestricted current ratio

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

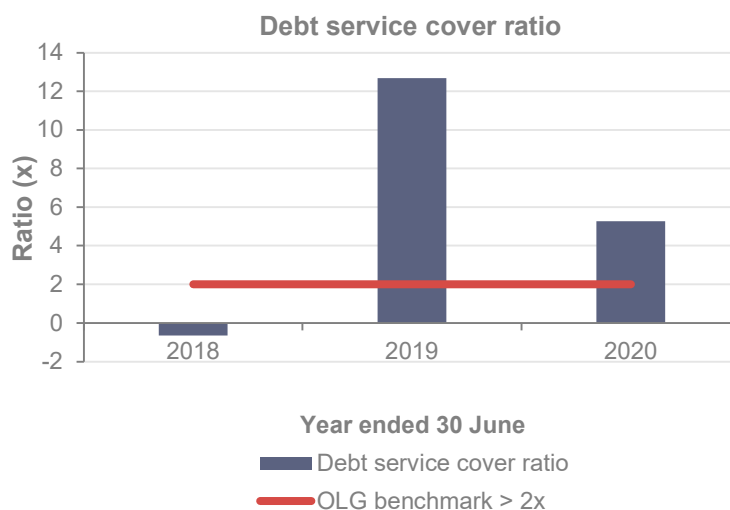
While there is a decreasing trend in this ratio, the Council met the OLG benchmark for the current reporting period.



## 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.

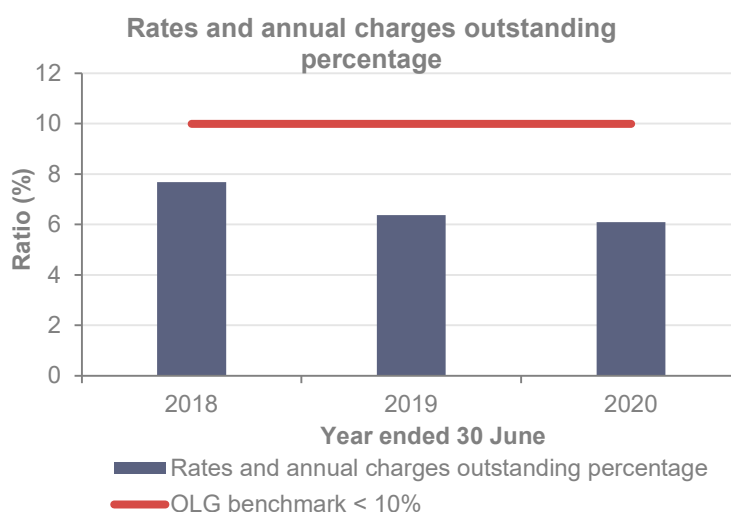
The Council met the OLG benchmark for the current reporting period.



## Rates and annual charges outstanding percentage

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

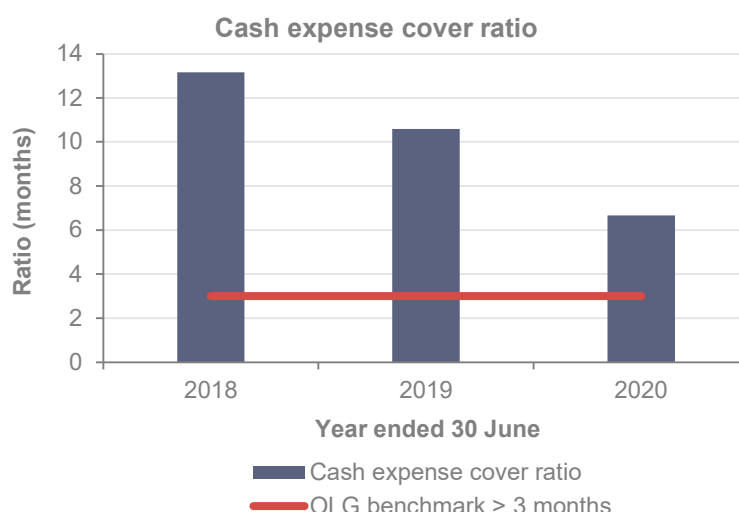
The Council met the OLG benchmark for the current reporting period.



## Cash expense cover ratio

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

While there is a decreasing trend in this ratio, the Council met the OLG benchmark for the current reporting period.



## Infrastructure, property, plant and equipment renewals

The Council has renewed \$19.9 million of assets in the 2019-20 financial year, compared to \$12.9 million of assets in the 2018-19 financial year. The majority of renewals related to the water supply network of \$5.4 million, roads of \$5.0 million and capital works in progress of \$7.3 million.

## OTHER MATTERS

### Impact of new accounting standards

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

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

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

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 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 \$5.2 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 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 did not recognise right-of-use assets and lease liabilities 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.



Nathan Carter  
Delegate of the Auditor-General for New South Wales

cc: Mr Phil McMurray, General Manager  
Mr Tony Donoghue, Chairperson, Audit, Risk and Improvement Committee  
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Cootamundra-Gundagai Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

---



## Special Purpose Financial Statements

for the year ended 30 June 2020

---

Contents	Page
<b>Statement by Councillors &amp; Management</b>	<b>3</b>
<b>Special Purpose Financial Statements</b>	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
<b>Note 1 – Significant Accounting Policies</b>	<b>8</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>11</b>

---

**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).



## Cootamundra-Gundagai Regional 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 08 December 2020.



Abb McAlister

Mayor

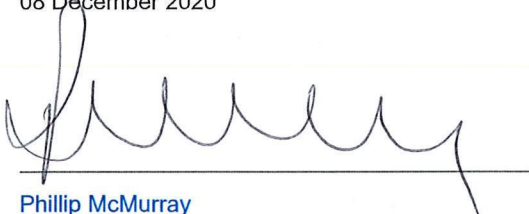
08 December 2020



Dennis Palmer

Councillor

08 December 2020



Phillip McMurray

General Manager

08 December 2020



Tim Swan

Responsible Accounting Officer

08 December 2020

## Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	1,630	1,543
User charges	2,631	2,611
Fees	33	14
Interest	69	134
Other income	12	6
<b>Total income from continuing operations</b>	<b>4,375</b>	<b>4,308</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	635	662
Borrowing costs	13	–
Materials and contracts	1,099	1,453
Depreciation, amortisation and impairment	502	479
Water purchase charges	1,863	1,683
Loss on sale of assets	347	244
Other expenses	173	215
<b>Total expenses from continuing operations</b>	<b>4,632</b>	<b>4,736</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(257)</b>	<b>(428)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(257)</b>	<b>(428)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(257)</b>	<b>(428)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(257)</b>	<b>(428)</b>
<b>Plus accumulated surplus</b>	<b>18,927</b>	<b>19,355</b>
<b>Plus adjustments for amounts unpaid:</b>		
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>18,670</b>	<b>18,927</b>
<b>Return on capital %</b>	<b>(1.1)%</b>	<b>(2.4)%</b>
<b>Subsidy from Council</b>	<b>433</b>	<b>666</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(257)	(428)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	2,071	1,985
User charges	526	594
Fees	21	23
Interest	50	127
Other income	–	1
<b>Total income from continuing operations</b>	<b>2,668</b>	<b>2,730</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	580	566
Materials and contracts	735	1,490
Depreciation, amortisation and impairment	599	423
Loss on sale of assets	63	92
Other expenses	204	195
<b>Total expenses from continuing operations</b>	<b>2,181</b>	<b>2,766</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>487</b>	<b>(36)</b>
Grants and contributions provided for capital purposes	4,795	10
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>5,282</b>	<b>(26)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>5,282</b>	<b>(26)</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(134)	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>5,148</b>	<b>(26)</b>
<b>Plus accumulated surplus</b>	<b>28,602</b>	<b>28,628</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	134	–
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>33,884</b>	<b>28,602</b>
<b>Return on capital %</b>	<b>1.6%</b>	<b>(0.1)%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>368</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	5,148	(26)
Less: capital grants and contributions (excluding developer contributions)	(4,795)	(10)
<b>Surplus for dividend calculation purposes</b>	<b>353</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>177</b>	<b>–</b>

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	3,132	2,686
Receivables	529	497
Inventories	13	28
<b>Total current assets</b>	<b>3,674</b>	<b>3,211</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	21,487	18,041
<b>Total non-current assets</b>	<b>21,487</b>	<b>18,041</b>
<b>TOTAL ASSETS</b>	<b>25,161</b>	<b>21,252</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Income received in advance	150	136
Borrowings	357	–
<b>Total current liabilities</b>	<b>507</b>	<b>136</b>
<b>Non-current liabilities</b>		
Borrowings	3,643	–
<b>Total non-current liabilities</b>	<b>3,643</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>4,150</b>	<b>136</b>
<b>NET ASSETS</b>	<b>21,011</b>	<b>21,116</b>
<b>EQUITY</b>		
Accumulated surplus	18,670	18,927
Revaluation reserves	2,339	2,189
<b>TOTAL EQUITY</b>	<b>21,009</b>	<b>21,116</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

<b>\$ '000</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Contract assets	2,993	—
Investments	1,385	3,980
Receivables	270	268
<b>Total current assets</b>	<b>4,648</b>	<b>4,248</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	30,273	25,166
<b>Total non-current assets</b>	<b>30,273</b>	<b>25,166</b>
<b>TOTAL ASSETS</b>	<b>34,921</b>	<b>29,414</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	—	1
<b>Total current liabilities</b>	<b>—</b>	<b>1</b>
<b>TOTAL LIABILITIES</b>	<b>—</b>	<b>1</b>
<b>NET ASSETS</b>	<b>34,921</b>	<b>29,413</b>
<b>EQUITY</b>		
Accumulated surplus	33,884	28,602
Revaluation reserves	1,037	811
<b>TOTAL EQUITY</b>	<b>34,921</b>	<b>29,413</b>

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

### Note 1. Significant Accounting Policies

---

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

##### a. Water Supplies

The supply of potable water to the residents of Cootamundra and Gundagai townships.

##### b. Sewerage Treatment

The provision of sewerage facilities and services to the residents of the Cootamundra and Gundagai townships.

##### Category 2

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

**Council has no category 2 business activities.**

#### Monetary amounts

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

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

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

---

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

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

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$900,000.

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

#### Income tax

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

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

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

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

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

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

#### Local government rates and charges

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

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

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

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

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

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

#### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

---

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

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

#### (iv) Dividends

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

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

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

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

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





## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial statements**

#### **Cootamundra-Gundagai Regional Council**

To the Councillors of Cootamundra-Gundagai Regional Council

### **Opinion**

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

The Declared Business Activities of the Council are:

- water supply
- sewerage.

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

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

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



Nathan Carter  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

18 December 2020  
SYDNEY

# Cootamundra-Gundagai Regional Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

---



## Special Schedules

for the year ended 30 June 2020

---

### Contents

### Page

#### **Special Schedules**

Permissible income for general rates

3

Report on Infrastructure Assets - Values

8

## Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	7,461	7,262
Plus or minus adjustments <sup>2</sup>	b	(1)	5
<b>Notional general income</b>	c = a + b	<b>7,460</b>	<b>7,267</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	194	196
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>7,654</b>	<b>7,463</b>
Plus (or minus) last year's carry forward total	l	(2)	(4)
<b>Sub-total</b>	n = (l + m)	<b>(2)</b>	<b>(4)</b>
<b>Total permissible income</b>	o = k + n	<b>7,652</b>	<b>7,459</b>
Less notional general income yield	p	7,654	7,461
<b>Catch-up or (excess) result</b>	q = o - p	<b>(2)</b>	<b>(1)</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>(2)</b>	<b>(1)</b>

**Notes**

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### Cootamundra-Gundagai Regional Council

To the Councillors of Cootamundra-Gundagai Regional Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Cootamundra-Gundagai Regional Council (the Council) for the year ending 30 June 2021.

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

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

### Basis for Opinion

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

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

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

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

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

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

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

## Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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



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

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



Nathan Carter  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

18 December 2020  
SYDNEY

Report on Infrastructure Assets - Values (continued)  
as at 30 June 2020

---

Permissible income for general rates: PLUS PDF inserted here

Council needs to uplift custom PDF here

## 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 <sup>a</sup>	Actual maintenance			1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000							
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	635	635	–	40	1,188	2,495	15.4%	27.1%	23.4%	31.2%	2.9%
	Buildings – specialised	621	621	–	780	19,282	41,903	19.9%	9.6%	28.2%	33.4%	8.9%
	Sub-total	1,256	1,256	–	820	20,470	44,398	19.6%	10.6%	27.9%	33.3%	8.6%
Other structures	Other structures	19	19	–	317	5,718	10,014	29.2%	19.8%	40.4%	9.0%	1.6%
	Sub-total	19	19	–	317	5,718	10,014	29.2%	19.8%	40.4%	9.0%	1.6%
Roads	Sealed roads	160	160	–	2,008	152,138	240,456	65.4%	19.2%	14.5%	0.8%	0.1%
	Unsealed roads	632	632	–	533	29,523	33,256	87.8%	6.0%	3.6%	2.1%	0.5%
	Bridges	1,880	1,880	–	48	37,804	67,083	34.3%	42.6%	18.7%	2.6%	1.8%
	Footpaths	44	44	–	33	3,984	6,512	38.6%	44.3%	15.6%	1.2%	0.3%
	Bulk earthworks	–	–	–	1,210	202,992	202,992	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & gutter	843	843	–	16	17,208	33,759	25.7%	37.0%	26.6%	10.7%	0.0%
	Sub-total	3,559	3,559	–	3,848	443,649	584,058	72.5%	15.8%	10.0%	1.4%	0.3%
Water supply network	Water supply network	8,194	8,194	–	820	20,918	36,416	34.7%	21.7%	15.5%	15.4%	12.7%
	Sub-total	8,194	8,194	–	820	20,918	36,416	34.7%	21.7%	15.5%	15.4%	12.7%
Sewerage network	Sewerage network	9,067	9,067	–	535	24,010	51,567	28.6%	27.7%	12.9%	7.8%	23.0%
	Sub-total	9,067	9,067	–	535	24,010	51,567	28.6%	27.7%	12.9%	7.8%	23.0%
Stormwater drainage	Stormwater drainage	–	–	–	319	12,036	18,531	32.5%	19.1%	48.2%	0.2%	0.0%
	Sub-total	–	–	–	319	12,036	18,531	32.5%	19.1%	48.2%	0.2%	0.0%
Open space / recreational assets	Swimming pools	–	–	–	164	3,860	6,849	0.0%	0.0%	0.0%	0.0%	100.0%
	Other	13	13	–	760	7,960	14,433	20.3%	22.7%	34.2%	19.7%	3.1%
	Sub-total	13	13	–	924	11,820	21,282	13.8%	15.4%	23.2%	13.4%	34.3%
TOTAL - ALL ASSETS		22,108	22,108	–	7,583	538,621	766,266	61.5%	16.7%	13.2%	4.7%	3.8%

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

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio <sup>1</sup>					
Asset renewals <sup>2</sup>	12,667	162.48%	117.03%	112.60%	>=100.00%
Depreciation, amortisation and impairment	7,796				
Infrastructure backlog ratio <sup>1</sup>					
Estimated cost to bring assets to a satisfactory standard	22,108	4.10%	7.60%	6.95%	<2.00%
Net carrying amount of infrastructure assets	538,621				
Asset maintenance ratio					
Actual asset maintenance	7,583	∞	∞	∞	>100.00%
Required asset maintenance	—				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	22,108	2.89%	4.79%	4.41%	
Gross replacement cost	766,266				

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

(1) Excludes Work In Progress (WIP)

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

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio <sup>1</sup>							
Asset renewals <sup>2</sup>							
Depreciation, amortisation and impairment	98.87%	133.38%	1,113.99%	0.00%	103.23%	0.00%	>=100.00%
Infrastructure backlog ratio <sup>1</sup>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.98%	1.40%	39.17%	75.10%	37.76%	43.55%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	∞	∞	∞	∞	∞	∞	>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	0.71%	0.92%	22.50%	37.38%	17.58%	20.35%	

(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.