

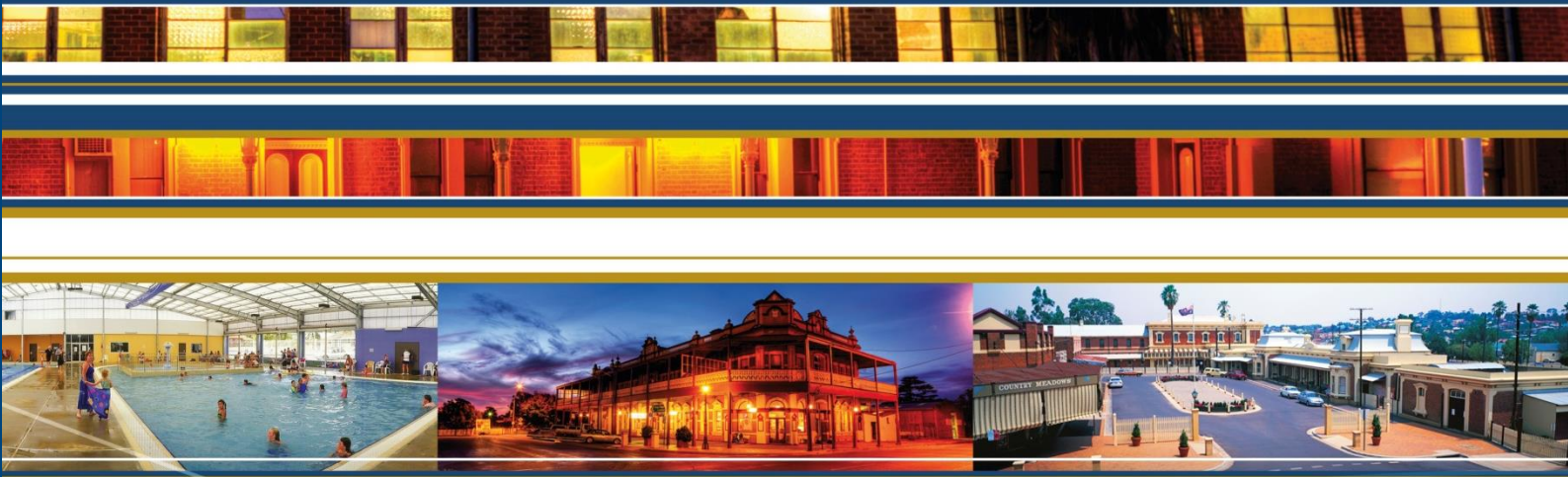


JUNEE SHIRE COUNCIL

# ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2020

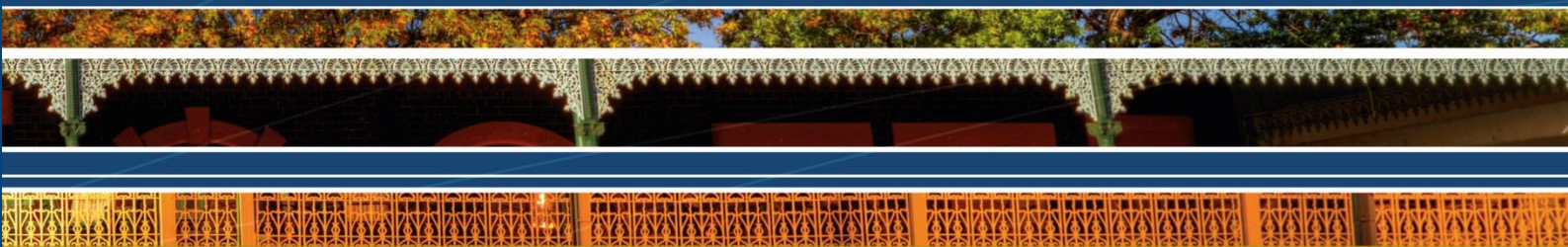




**JUNEE SHIRE COUNCIL**

# **GENERAL PURPOSE FINANCIAL STATEMENTS**

**For the year ended 30 June 2020**



# General Purpose Financial Statements

for the year ended 30 June 2020

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## Overview

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

29 Belmore Street  
Junee NSW 2663

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

## General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 22 September 2020.



Cr Neil Smith  
**Mayor**  
22 September 2020



Cr Matt Austin  
**Councillor**  
22 September 2020



James Davis  
**General Manager**  
22 September 2020



Luke Taberner  
**Responsible Accounting Officer**  
22 September 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>			
6,045	Rates and annual charges	3a	5,687	5,442
3,510	User charges and fees	3b	3,789	3,293
489	Other revenues	3c	561	463
2,780	Grants and contributions provided for operating purposes	3d,3e	6,375	5,933
2,435	Grants and contributions provided for capital purposes	3d,3e	3,608	2,754
78	Interest and investment income	4	86	92
667	Net gains from the disposal of assets	6	153	361
—	Rental income	12e	113	—
16,004	<b>Total income from continuing operations</b>		20,372	18,338
	<b>Expenses from continuing operations</b>			
5,538	Employee benefits and on-costs	5a	5,295	5,312
574	Borrowing costs	5b	544	447
4,731	Materials and contracts	5c	4,886	5,961
2,787	Depreciation and amortisation	5d	3,316	2,894
1,416	Other expenses	5e	1,904	1,511
15,046	<b>Total expenses from continuing operations</b>		15,945	16,125
958	<b>Operating result from continuing operations</b>		4,427	2,213
958	<b>Net operating result for the year</b>		4,427	2,213
958	Net operating result attributable to council		4,427	2,213
(1,477)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		819	(541)

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>4,427</b>	<b>2,213</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(a)	6,093	154
Impairment (loss) reversal / (Revaluation decrement) relating to IPP&E	10(a)	—	274
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>6,093</b>	<b>428</b>
<b>Total other comprehensive income for the year</b>		<b>6,093</b>	<b>428</b>
<b>Total comprehensive income for the year</b>		<b>10,520</b>	<b>2,641</b>
 Total comprehensive income attributable to Council		 10,520	 2,641

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)	4,797	6,228
Receivables	8	1,289	1,529
Inventories	9	302	416
<b>Total current assets</b>		<b>6,388</b>	<b>8,173</b>
<b>Non-current assets</b>			
Receivables	8	167	167
Inventories	9	607	729
Infrastructure, property, plant and equipment	10(a)	123,485	111,869
Right of use assets	12a	1,368	—
<b>Total non-current assets</b>		<b>125,627</b>	<b>112,765</b>
<b>Total assets</b>		<b>132,015</b>	<b>120,938</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	13	941	652
Income received in advance	13	—	116
Contract liabilities	11	604	—
Lease liabilities	12b	343	—
Borrowings	13	576	933
Provisions	14	1,778	1,707
<b>Total current liabilities</b>		<b>4,242</b>	<b>3,408</b>
<b>Non-current liabilities</b>			
Lease liabilities	12b	1,059	—
Borrowings	13	8,862	9,597
Provisions	14	105	63
<b>Total non-current liabilities</b>		<b>10,026</b>	<b>9,660</b>
<b>Total liabilities</b>		<b>14,268</b>	<b>13,068</b>
<b>Net assets</b>		<b>117,747</b>	<b>107,870</b>
<b>EQUITY</b>			
Accumulated surplus	15	87,554	85,294
Revaluation reserves	15	28,669	22,576
Other reserves	15	1,524	—
<b>Council equity interest</b>		<b>117,747</b>	<b>107,870</b>
<b>Total equity</b>		<b>117,747</b>	<b>107,870</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	Other reserves (General)	Total equity	Accumulated surplus	IPP&E revaluation reserve	Other reserves (General)	Total equity
Opening balance		85,294	22,576	–	107,870	83,081	22,148	–	105,229
Changes due to AASB 1058 and AASB 15 adoption	15	(643)	–	–	(643)	–	–	–	–
Changes due to AASB 16 adoption	15	–	–	–	–	–	–	–	–
<b>Restated opening balance</b>		<b>84,651</b>	<b>22,576</b>	<b>–</b>	<b>107,227</b>	<b>83,081</b>	<b>22,148</b>	<b>–</b>	<b>105,229</b>
Net operating result for the year		4,427	–	–	4,427	2,213	–	–	2,213
<b>Restated net operating result for the period</b>		<b>4,427</b>	<b>–</b>	<b>–</b>	<b>4,427</b>	<b>2,213</b>	<b>–</b>	<b>–</b>	<b>2,213</b>
<b>Other comprehensive income</b>									
– Gain (loss) on revaluation of IPP&E	10(a)	–	6,093	–	6,093	–	154	–	154
– Impairment (loss) reversal relating to IPP&E	10(a)	–	–	–	–	–	274	–	274
<b>Other comprehensive income</b>		<b>–</b>	<b>6,093</b>	<b>–</b>	<b>6,093</b>	<b>–</b>	<b>428</b>	<b>–</b>	<b>428</b>
<b>Total comprehensive income</b>		<b>4,427</b>	<b>6,093</b>	<b>–</b>	<b>10,520</b>	<b>2,213</b>	<b>428</b>	<b>–</b>	<b>2,641</b>
Transfers between equity items		(1,524)	–	1,524	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>87,554</b>	<b>28,669</b>	<b>1,524</b>	<b>117,747</b>	<b>85,294</b>	<b>22,576</b>	<b>–</b>	<b>107,870</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>				
6,046	Rates and annual charges		5,868	5,388
3,207	User charges and fees		3,723	3,294
89	Investment and interest revenue received		82	117
5,217	Grants and contributions		9,934	8,687
687	Other		2,471	1,674
<b>Payments:</b>				
(5,526)	Employee benefits and on-costs		(5,156)	(5,129)
(4,622)	Materials and contracts		(4,805)	(5,887)
(574)	Borrowing costs		(544)	(447)
(1,505)	Other		(3,415)	(3,012)
3,019	<b>Net cash provided (or used in) operating activities</b>	16b	8,158	4,685
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
—	Sale of investment securities		1,500	500
1,496	Sale of real estate assets		822	988
122	Sale of infrastructure, property, plant and equipment		820	127
<b>Payments:</b>				
—	Purchase of investment securities		(1,500)	—
(4,929)	Purchase of infrastructure, property, plant and equipment		(9,669)	(6,558)
(803)	Purchase of real estate assets		(77)	(685)
(4,114)	<b>Net cash provided (or used in) investing activities</b>		(8,104)	(5,628)
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
1,050	Proceeds from borrowings and advances		300	3,100
<b>Payments:</b>				
(1,025)	Repayment of borrowings and advances		(1,384)	(556)
—	Lease liabilities (principal repayments)		(401)	—
25	<b>Net cash flow provided (used in) financing activities</b>		(1,485)	2,544
(1,070)	<b>Net increase/(decrease) in cash and cash equivalents</b>		(1,431)	1,601
—	Plus: cash and cash equivalents – beginning of year	16a	6,228	4,627
(1,070)	<b>Cash and cash equivalents – end of the year</b>	16a	4,797	6,228

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

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

# Notes to the Financial Statements

for the year ended 30 June 2020

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# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 22 September 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

### (a) Historical cost convention

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

### (b) Significant accounting estimates and judgements

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

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

### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10.
- (ii) employee benefit provisions – refer Note 14.

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

- (i) Impairment of receivables

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

### Covid 19 Impact

Covid 19 has caused a disruption to council's business practices with a number of staff working remotely from the main administration building. Whilst this has caused some inconvenience it has not resulted in significant additional cost.

Council has provided some rent relief to the lessee of Junee Tourist Park to compensate for lost income due to the compulsory lockdown and some additional costs have been incurred in cleaning of council facilities.

Rate collections are similar to the previous year's. 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 19. 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)

---

#### 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
- Sewerage service

##### (b) The Trust Fund

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

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

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

#### Goods and Services Tax (GST)

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

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

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

#### Volunteer services

AASB 1058 requires that local governments shall recognise an inflow of resources in the form of volunteer services as an asset (or an expense, when the definition of an asset is not met) if:

- The fair value of those services can be measured reliably; and
- The service would have been purchased if they had not been donated.

Although, Council and its community highly values the services undertaken by volunteers, Council does not capture the time volunteers spend throughout the various services and areas across the community in an accounting sense.

As such, the fair value of volunteer services would be very difficult to measure reliably given the varied contributions from each and every volunteer and could serve to distort the comparability of the financial results over time. Further, volunteer support for our community is not based on financial reward but a contribution to our community.

Council has a small number of volunteers, therefore it is reasonable to assume from an accounting perspective that if volunteers services were recognised within the financial statements, the services would not be utilised.

#### New accounting standards and interpretations issued not yet effective

##### New accounting standards and interpretations issued but not yet effective

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### **New accounting standards adopted during the year**

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Notes 11 and 12.

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>										
Governance	–	–	117	120	(117)	(120)	–	–	1,585	1,454
Administration	6,476	6,232	2,871	2,790	3,605	3,442	2,009	–	3,294	3,021
Public order and safety	72	42	343	312	(271)	(270)	–	–	352	323
Environment	1,084	1,064	1,358	1,098	(274)	(34)	52	51	5,543	5,084
Community services and education	1,190	1,362	1,231	1,441	(41)	(79)	1,031	1,230	81	74
Housing and community amenities	556	214	556	509	–	(295)	19	209	836	767
Sewerage services	3,589	2,854	896	653	2,693	2,201	2,458	1,805	11,127	10,206
Recreation and culture	1,696	1,519	3,094	3,029	(1,398)	(1,510)	1,392	694	19,087	17,478
Mining, manufacturing and construction	158	108	14	25	144	83	–	–	13	12
Transport and communication	4,866	4,192	5,156	5,440	(290)	(1,248)	2,351	1,886	86,114	78,845
Economic affairs	685	751	309	708	376	43	–	7	3,981	3,652
Other	–	–	–	–	–	–	–	2,028	2	22
<b>Total functions and activities</b>	<b>20,372</b>	<b>18,338</b>	<b>15,945</b>	<b>16,125</b>	<b>4,427</b>	<b>2,213</b>	<b>9,312</b>	<b>7,910</b>	<b>132,015</b>	<b>120,938</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:

### Governance

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

### Administration

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

### Public order and safety

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

### Environment

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

### Community services and education

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

### Housing and community amenities

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

### Sewerage services

Includes the provision of sewerage treatment and reticulation system for the collection of sewage within the Junee township.

### Recreation and culture

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

### Mining, manufacturing and construction

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

### Transport and communication

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

### Economic affairs

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

# 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)	1,695	1,626
Farmland	1058 (1)	1,968	1,917
Business	1058 (1)	378	371
Less: pensioner rebates (mandatory)	1058 (1)	(51)	(50)
<b>Rates levied to ratepayers</b>		<b>3,990</b>	<b>3,864</b>
Pensioner rate subsidies received	1058 (1)	47	44
<b>Total ordinary rates</b>		<b>4,037</b>	<b>3,908</b>
<b>Annual charges</b>			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	794	743
Stormwater management services	1058 (1)	44	44
Sewerage services	1058 (1)	725	665
Waste management services (non-domestic)	1058 (1)	83	79
Less: pensioner rebates (mandatory)	1058 (1)	(31)	(30)
<b>Annual charges levied</b>		<b>1,615</b>	<b>1,501</b>
Pensioner subsidies received:			
– Sewerage	1058 (1)	18	16
– Domestic waste management	1058 (1)	17	17
<b>Total annual charges</b>		<b>1,650</b>	<b>1,534</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>5,687</b>	<b>5,442</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 01/07/2019 year valuations provided by the NSW Valuer General in calculating its rates.

### Accounting policy for rates and charges

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

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

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

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

### 2019 accounting policy

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

# Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Sewerage services	15 (2)	360	321
Waste management services (non-domestic)	15 (2)	84	147
<b>Total specific user charges</b>		<b>444</b>	<b>468</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation	15 (1)	107	66
Inspection services	15 (1)	62	82
Private works – section 67	15 (1)	1,174	123
Registration fees	15 (1)	15	8
Section 10.7 certificates (EP&A Act)	15 (1)	11	13
Section 603 certificates	15 (1)	12	8
<b>Total fees and charges – statutory/regulatory</b>		<b>1,381</b>	<b>300</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Cemeteries	15 (1)	108	86
Lease rentals	15 (2)	–	33
Leaseback fees – Council vehicles	15 (1)	–	21
Multipurpose centre	15 (2)	300	363
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (2)	1,426	1,888
Family day care	15 (2)	118	129
Rent and hire of council properties	15 (2)	–	3
Other	15 (2)	12	2
<b>Total fees and charges – other</b>		<b>1,964</b>	<b>2,525</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>3,789</b>	<b>3,293</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.

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

### 2019 accounting policy

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

# Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Rental income – other council properties (2019 only)	15 (2)	–	78
Fines	1058 (1)	7	5
Legal fees recovery – rates and charges (extra charges)	15 (1)	20	23
Commissions and agency fees	15 (1)	120	118
Diesel rebate	1058 (1)	134	20
Insurance claims recoveries	1058 (1)	13	–
Recycling income (non-domestic)	15 (1)	27	–
Insurance rebates	15 (1)	48	40
Sales – swimming centre	1058 (1)	45	55
Other	15 (1)	147	124
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>561</u></b>	<b><u>463</u></b>

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

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

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

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

### Accounting policy for 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.

Fines are recognised as revenue when the service has been provided, or when the penalty has been applied, 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)	976	979	–	–
Financial assistance – local roads component	1058 (1)	462	470	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance	1058 (1)	1,524	1,502	–	–
<b>Other</b>					
Other grants	1058 (2)	–	–	–	–
<b>Total general purpose</b>		<b>2,962</b>	<b>2,951</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Sewerage services	1058 (2)	–	–	2,458	1,805
Economic development	1058 (1)	–	8	–	–
Heritage and cultural	1058 (2)	4	–	85	44
Library – per capita	1058 (1)	78	32	–	–
LIRS subsidy	1058 (1)	18	20	–	–
Noxious weeds	1058 (1)	53	52	–	–
Public halls	1058 (2)	–	–	69	209
Recreation and culture	1058 (2)	3	–	996	651
Street lighting	1058 (1)	19	18	–	–
Transport (roads to recovery)	1058 (2)	564	449	–	–
Transport (other roads and bridges funding)	1058 (2)	972	429	–	–
Community transport operations	1058 (1)	177	212	–	–
Family day care operations	15 (1)	814	938	–	–
Youth services	1058 (1)	40	48	–	–
Other	1058 (2)	–	44	–	–
<b>Total specific purpose</b>		<b>2,742</b>	<b>2,250</b>	<b>3,608</b>	<b>2,709</b>
<b>Total grants</b>		<b>5,704</b>	<b>5,201</b>	<b>3,608</b>	<b>2,709</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		4,294	4,337	–	–
– State funding		1,361	647	3,608	2,709
– Other funding		49	217	–	–
		<b>5,704</b>	<b>5,201</b>	<b>3,608</b>	<b>2,709</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”,

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

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

# Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 94A – fixed development consent levies		15 (1)	405	63	–	–
<b>Total developer contributions – cash</b>			<b>405</b>	<b>63</b>	<b>–</b>	<b>–</b>
<b>Total developer contributions</b>	24		<b>405</b>	<b>63</b>	<b>–</b>	<b>–</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Bushfire services		1058 (2)	48	16	–	–
Heritage/cultural		1058 (1)	10	40	–	–
Recreation and culture		1058 (2)	–	–	–	45
DrumMUSTER		15 (1)	4	4	–	–
Community transport client contributions		15 (1)	37	29	–	–
Flood Restoration contribution		1058 (1)	167	580	–	–
<b>Total other contributions – cash</b>			<b>266</b>	<b>669</b>	<b>–</b>	<b>45</b>
<b>Total other contributions</b>			<b>266</b>	<b>669</b>	<b>–</b>	<b>45</b>
<b>Total contributions</b>			<b>671</b>	<b>732</b>	<b>–</b>	<b>45</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>6,375</b>	<b>5,933</b>	<b>3,608</b>	<b>2,754</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”,

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

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

### Accounting policy for grants and contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) 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
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### (f) Unspent grants and contributions – external restrictions

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

#### Operating grants

Unexpended at the close of the previous reporting period	1,292	1,988
<b>Add:</b> operating grants recognised as income in the current period but not yet spent	1,633	1,292
<b>Add:</b> operating grants received for the provision of goods and services in a future period	56	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(1,292)	(1,988)
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>1,689</b>	<b>1,292</b>

#### Capital grants

<b>Add:</b> capital grants received for the provision of goods and services in a future period	538	–
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>538</b>	<b>–</b>

## Note 4. Interest and investment income

\$ '000	2020	2019
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#### Interest on financial assets measured at amortised cost

– Overdue rates and annual charges (incl. special purpose rates)	43	37
– Cash and investments	43	55
<b>Total Interest and investment income</b>	<b>86</b>	<b>92</b>

#### Interest revenue is attributable to:

##### Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	28	24
General Council cash and investments	23	18

##### Restricted investments/funds – external:

Sewerage fund operations	26	42
Domestic waste management operations	9	8

<b>Total interest and investment revenue</b>	<b>86</b>	<b>92</b>
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#### 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	4,221	4,260
Travel expenses	17	24
Employee leave entitlements (ELE)	883	822
Superannuation – defined contribution plans	360	350
Superannuation – defined benefit plans	153	133
Workers' compensation insurance	144	141
Fringe benefit tax (FBT)	77	26
Training costs (other than salaries and wages)	54	87
Protective clothing	23	23
Other	40	12
<b>Total employee costs</b>	<b>5,972</b>	<b>5,878</b>
Less: capitalised costs	(677)	(566)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>5,295</b>	<b>5,312</b>
Number of 'full-time equivalent' employees (FTE) at year end	59	55
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	71	64

### 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 leases	90	–
Interest on loans	454	447
<b>Total interest bearing liability costs</b>	<b>544</b>	<b>447</b>
<b>Total interest bearing liability costs expensed</b>	<b>544</b>	<b>447</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>544</b>	<b>447</b>

### Accounting policy for borrowing costs

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

# Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	2,181	2,200
Contractor and consultancy costs	2,538	3,138
Auditors remuneration <sup>2</sup>	59	65
<b>Legal expenses:</b>		
– Legal expenses: planning and development	17	17
– Legal expenses: debt recovery	20	23
Expenses from short-term leases (2020 only)	33	–
Expenses from leases of low value assets (2020 only)	6	–
– Legal expenses: other	31	34
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	484
Other	1	–
<b>Total materials and contracts</b>	<b>4,886</b>	<b>5,961</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>4,886</b>	<b>5,961</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. Operating lease payments are attributable to:

Motor vehicles & heavy plant	–	474
Other	–	10
	<b>–</b>	<b>484</b>

### 2. Auditor remuneration

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

#### Auditors of the Council - NSW Auditor-General:

##### (i) Audit and other assurance services

Audit and review of financial statements	42	49
<b>Remuneration for audit and other assurance services</b>	<b>42</b>	<b>49</b>
<b>Total Auditor-General remuneration</b>	<b>42</b>	<b>49</b>

#### Non NSW Auditor-General audit firms

##### (i) Audit and other assurance services

Internal audit and other assurance services	17	16
<b>Remuneration for audit and other assurance services</b>	<b>17</b>	<b>16</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>17</b>	<b>16</b>
<b>Total Auditor remuneration</b>	<b>59</b>	<b>65</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		267	261
Office equipment		23	20
Furniture and fittings		8	6
Land improvements (depreciable)		55	56
<b>Infrastructure:</b>	10(a)		
– Buildings – non-specialised		90	114
– Buildings – specialised		371	554
– Other structures		176	132
– Roads		1,402	1,324
– Bridges		78	78
– Footpaths		58	58
– Stormwater drainage		158	72
– Sewerage network		190	207
<b>Right of use assets</b>	12	427	–
Other assets		13	12
<b>Total gross depreciation and amortisation costs</b>		<b>3,316</b>	<b>2,894</b>
<b>Total depreciation and amortisation costs</b>		<b>3,316</b>	<b>2,894</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>	10(a)		
– Roads		–	(134)
– Bulk earthworks (non-depreciable)		–	(140)
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>–</b>	<b>(274)</b>
Amounts taken through revaluation reserve	10(a)	–	274
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>–</b>	<b>–</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</b>		<b>3,316</b>	<b>2,894</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 12 for right of use assets.

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

#### Impairment of non-financial assets

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

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be

# 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.

\$ '000	2020	2019
<b>(e) Other expenses</b>		
Advertising	30	66
Bad and doubtful debts	189	7
Bank charges	22	18
Cleaning	74	74
Computer software charges	304	143
Contributions/levies to other levels of government		
– Bushfire fighting fund	217	180
– Emergency services levy (includes FRNSW, SES, and RFS levies)	14	10
– NSW fire brigade levy	23	23
– EPA Waste Station Licence Fee's	7	7
Councillor expenses – mayoral fee	21	20
Councillor expenses – councillors' fees	82	81
Councillors' expenses (incl. mayor) – other (excluding fees above)	1	2
Donations, contributions and assistance to other organisations (Section 356)	9	1
Electricity and heating	272	232
Insurance	269	289
Postage	18	16
Printing and stationery	48	52
Street lighting	81	100
Subscriptions and publications	107	76
Telephone and communications	75	75
Valuation fees	25	24
Other	16	15
<b>Total other expenses</b>	<b>1,904</b>	<b>1,511</b>
<b>TOTAL OTHER EXPENSES</b>	<b>1,904</b>	<b>1,511</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>Property (excl. investment property)</b>			
Proceeds from disposal – property		820	–
Less: carrying amount of property assets sold/written off		(905)	–
<b>Net gain/(loss) on disposal</b>		<b>(85)</b>	<b>–</b>
<b>Plant and equipment</b>			
	10(a)		
Proceeds from disposal – plant and equipment		–	127
Less: carrying amount of plant and equipment assets sold/written off		–	(105)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>22</b>
<b>Infrastructure</b>			
	10(a)		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(314)	(267)
<b>Net gain/(loss) on disposal</b>		<b>(314)</b>	<b>(267)</b>
<b>Real estate assets held for sale</b>			
	9		
Proceeds from disposal – real estate assets		822	988
Less: carrying amount of real estate assets sold/written off		(232)	(382)
<b>Net gain/(loss) on disposal</b>		<b>590</b>	<b>606</b>
<b>Investments</b>			
Proceeds from disposal/redemptions/maturities – investments		1,500	500
Less: carrying amount of investments sold/redeemed/matured		(1,500)	(500)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Other (Community land)</b>			
Proceeds from disposal – Other (Community land)		–	–
Less: carrying amount of Other (Community land) assets sold/written off		(38)	–
<b>Net gain/(loss) on disposal</b>		<b>(38)</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>153</b>	<b>361</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	2,297	3,728
Cash-equivalent assets		
– Deposits at call	500	–
– Short-term deposits	2,000	2,500
<b>Total cash and cash equivalents</b>	<b>4,797</b>	<b>6,228</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.

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Total cash, cash equivalents and investments</b>	<b>4,797</b>	<b>–</b>	<b>6,228</b>	<b>–</b>
<b>attributable to:</b>				
External restrictions	3,743	–	4,918	–
Internal restrictions	913	–	288	–
Unrestricted	141	–	1,022	–
	<b>4,797</b>	<b>–</b>	<b>6,228</b>	<b>–</b>

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

#### External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	594	–
Specific purpose unexpended loans – sewer	–	1,493

#### External restrictions – included in liabilities

	<b>594</b>	<b>1,493</b>
--	------------	--------------

#### External restrictions – other

Community Transport - Vehicle Replacement Fund	109	–
Domestic waste management	–	119
Sewerage services	1,428	1,907
Specific purpose unexpended grants (recognised as revenue) – general fund	1,524	1,292
Stormwater management	87	87
Other	1	20

#### External restrictions – other

	<b>3,149</b>	<b>3,425</b>
--	--------------	--------------

#### Total external restrictions

	<b>3,743</b>	<b>4,918</b>
--	--------------	--------------

#### Internal restrictions

Employees leave entitlement	231	211
Deposits, retentions and bonds	28	36
June Historical Society	14	14
Gravel pit restoration	27	27

# Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Property Sale Proceeds	613	—
<b>Total internal restrictions</b>	<b>913</b>	<b>288</b>
<b>TOTAL RESTRICTIONS</b>	<b>4,656</b>	<b>5,206</b>

## Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	694	—	601	—
Interest and extra charges	15	—	10	—
User charges and fees	8	—	7	—
Accrued revenues				
– Interest on investments	3	—	4	—
Deferred debtors	—	167	—	167
Net GST receivable	105	—	1	—
RMS charges	158	—	230	—
GST receivable on land sales	47	—	55	—
Other debtors	504	—	677	—
<b>Total</b>	<b>1,534</b>	<b>167</b>	<b>1,585</b>	<b>167</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(197)	—	(49)	—
User charges and fees	(48)	—	(7)	—
<b>Total provision for impairment – receivables</b>	<b>(245)</b>	<b>—</b>	<b>(56)</b>	<b>—</b>
<b>TOTAL NET RECEIVABLES</b>	<b>1,289</b>	<b>167</b>	<b>1,529</b>	<b>167</b>

### Externally restricted receivables

#### Sewerage services

– Rates and availability charges	125	—	109	—
<b>Total external restrictions</b>	<b>125</b>	<b>—</b>	<b>109</b>	<b>—</b>
<b>Unrestricted receivables</b>	<b>1,164</b>	<b>167</b>	<b>1,420</b>	<b>167</b>
<b>TOTAL NET RECEIVABLES</b>	<b>1,289</b>	<b>167</b>	<b>1,529</b>	<b>167</b>

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year	56	49
+ new provisions recognised during the year	189	7
<b>Balance at the end of the year</b>	<b>245</b>	<b>56</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

Overdue receivables which have been impaired are still subject to enforcement activity.

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

Rates and annual charges outstanding are secured against the property regardless of whether they are impaired or not.

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	101	607	134	729
Stores and materials	201	–	282	–
<b>Total inventories at cost</b>	<b>302</b>	<b>607</b>	<b>416</b>	<b>729</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>302</u></b>	<b><u>607</u></b>	<b><u>416</u></b>	<b><u>729</u></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		101	607	134	729
<b>Total real estate for resale</b>		<b>101</b>	<b>607</b>	<b>134</b>	<b>729</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		–	92	1	111
Development costs		100	492	131	590
Borrowing costs		1	23	2	28
<b>Total costs</b>		<b>101</b>	<b>607</b>	<b>134</b>	<b>729</b>
<b>Total real estate for resale</b>		<b>101</b>	<b>607</b>	<b>134</b>	<b>729</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		134	729	221	339
– Purchases and other costs		51	26	227	458
– WDV of sales (expense)	6	(232)	–	(382)	–
– Transfer between current/non-current		148	(148)	68	(68)
<b>Total real estate for resale</b>		<b>101</b>	<b>607</b>	<b>134</b>	<b>729</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### Accounting policy for inventories and other assets

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

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

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

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

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

# Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	4,106	–	4,106	5,393	–	–	–	(247)	–	–	9,252	–	9,252
Plant and equipment	3,249	(2,126)	1,123	–	148	–	(267)	–	–	–	3,397	(2,393)	1,004
Office equipment	212	(166)	46	–	42	–	(23)	–	–	–	254	(189)	65
Furniture and fittings	145	(129)	16	–	56	–	(8)	–	–	–	201	(137)	64
<b>Land:</b>													
– Operational land	1,321	–	1,321	–	–	–	–	–	–	–	1,321	–	1,321
– Community land	2,232	–	2,232	–	–	(38)	–	–	–	–	2,194	–	2,194
Land improvements – depreciable	1,826	(1,267)	559	4	–	–	(55)	–	–	–	1,830	(1,322)	508
<b>Infrastructure:</b>													
– Buildings – non-specialised	3,838	(2,426)	1,412	–	–	–	(90)	–	–	–	3,838	(2,516)	1,322
– Buildings – specialised	17,853	(9,422)	8,431	–	689	(905)	(371)	24	–	–	16,557	(8,689)	7,868
– Other structures	4,470	(1,695)	2,775	–	390	–	(176)	45	–	–	4,905	(1,871)	3,034
– Roads	66,756	(29,368)	37,388	1,598	231	(314)	(1,402)	82	–	–	68,073	(30,490)	37,583
– Bridges	7,751	(2,838)	4,913	–	–	–	(78)	–	–	–	7,751	(2,915)	4,836
– Footpaths	2,904	(978)	1,926	–	–	–	(58)	–	–	–	2,904	(1,036)	1,868
– Bulk earthworks (non-depreciable)	31,369	–	31,369	292	–	–	–	36	–	–	31,697	–	31,697
– Stormwater drainage	5,338	(1,388)	3,950	20	51	–	(158)	–	–	6,015	16,913	(7,035)	9,878
– Sewerage network	23,132	(12,926)	10,206	46	685	–	(190)	60	–	78	24,001	(13,116)	10,885
<b>Other assets:</b>													
– Library books	22	(22)	–	–	8	–	–	–	–	–	30	(22)	8
– Other	130	(34)	96	–	11	–	(13)	–	–	–	141	(47)	94
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>													
– Quarry assets	–	–	–	–	–	–	–	–	4	–	4	–	4
<b>Total Infrastructure, property, plant and equipment</b>	<b>176,654</b>	<b>(64,785)</b>	<b>111,869</b>	<b>7,353</b>	<b>2,311</b>	<b>(1,257)</b>	<b>(2,889)</b>	<b>–</b>	<b>4</b>	<b>6,093</b>	<b>195,263</b>	<b>(71,778)</b>	<b>123,485</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(a). Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	1,109	–	1,109	3,416	–	–	–	–	(419)	–	–	4,106	–	4,106
Plant and equipment	2,994	(2,038)	956	–	533	(105)	(261)	–	–	–	–	3,249	(2,126)	1,123
Office equipment	193	(146)	47	–	19	–	(20)	–	–	–	–	212	(166)	46
Furniture and fittings	145	(123)	22	–	–	–	(6)	–	–	–	–	145	(129)	16
<b>Land:</b>														
– Operational land	1,321	–	1,321	–	–	–	–	–	–	–	–	1,321	–	1,321
– Community land	2,232	–	2,232	–	–	–	–	–	–	–	–	2,232	–	2,232
Land improvements – depreciable	1,826	(1,211)	615	–	–	–	(56)	–	–	–	–	1,826	(1,267)	559
<b>Infrastructure:</b>														
– Buildings – non-specialised	3,749	(2,312)	1,437	89	–	–	(114)	–	–	–	–	3,838	(2,426)	1,412
– Buildings – specialised	17,731	(8,869)	8,862	123	–	–	(554)	–	–	–	–	17,853	(9,422)	8,431
– Other structures	3,933	(1,563)	2,370	537	–	–	(132)	–	–	–	–	4,470	(1,695)	2,775
– Roads	69,328	(29,779)	39,549	286	1,223	(267)	(1,324)	134	253	(2,466)	–	66,756	(29,368)	37,388
– Bridges	4,098	(1,573)	2,525	–	–	–	(78)	–	–	2,466	–	7,751	(2,838)	4,913
– Footpaths	2,904	(920)	1,984	–	–	–	(58)	–	–	–	–	2,904	(978)	1,926
– Bulk earthworks (non-depreciable)	31,173	(140)	31,033	131	–	–	–	140	65	–	–	31,369	–	31,369
– Stormwater drainage	5,215	(1,317)	3,898	110	–	–	(72)	–	14	–	–	5,338	(1,388)	3,950
– Sewerage network	22,792	(12,719)	10,073	20	79	–	(207)	–	87	–	154	23,132	(12,926)	10,206
<b>Other assets:</b>														
– Library books	22	(22)	–	–	–	–	–	–	–	–	–	22	(22)	–
– Other	130	(22)	108	–	–	–	(12)	–	–	–	–	130	(34)	96
<b>Total Infrastructure, property, plant and equipment</b>	<b>170,895</b>	<b>(62,754)</b>	<b>108,141</b>	<b>4,712</b>	<b>1,854</b>	<b>(372)</b>	<b>(2,894)</b>	<b>274</b>	<b>–</b>	<b>–</b>	<b>154</b>	<b>176,654</b>	<b>(64,785)</b>	<b>111,869</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(a). Infrastructure, property, plant and equipment (continued)

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

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

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 10	Playground equipment	5 to 15
Office furniture	5 to 20	Benches, seats etc.	10 to 20
Computer equipment	5		
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>	
Dams and reservoirs	80 to 100	Drains	80 to 120
Bores	20 to 40	Culverts	50 to 120
Reticulation pipes: PVC	177	Flood control structures	80 to 120
Reticulation pipes: other	80 to 97		
Pumps and telemetry	10 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Bridges	100	Swimming pools	50
Major Culverts	100	Other open space/recreational assets	20
Footpaths	50	Other infrastructure	20
Pavement Sub-Base	152		
Pavement Base	76		
Unsealed Pavement Base	27		
Primer Seal	5		
Wearing Course (Seal)	20		
Kerb & Gutter	75		

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

### Land under roads

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

# Notes to the Financial Statements

for the year ended 30 June 2020

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

### Crown reserves

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

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 assets including land, buildings, plant and vehicles.

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

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Sewerage services</b>						
WIP	7,816	–	7,816	3,862	–	3,862
Infrastructure	24,001	13,116	10,885	23,132	12,926	10,206
<b>Total sewerage services</b>	<b>31,817</b>	<b>13,116</b>	<b>18,701</b>	<b>26,994</b>	<b>12,926</b>	<b>14,068</b>
<b><u>TOTAL RESTRICTED IPP&amp;E</u></b>	<b>31,817</b>	<b>13,116</b>	<b>18,701</b>	<b>26,994</b>	<b>12,926</b>	<b>14,068</b>

## Note 10(c). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2020	2019
<b>Reversals of impairment losses previously recognised direct to equity (ARR):</b>			
Impairment recognised for Roads and Bulk Earthworks (non-depreciable)		–	274
<b>Total impairment reversals</b>		<b>–</b>	<b>274</b>
<b><u>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</u></b>		<b>–</b>	<b>274</b>

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
<b>Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	538	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	56	—
<b>Total grants received in advance</b>		<b>594</b>	<b>—</b>
<b>User fees and charges received in advance:</b>			
Upfront fees – leisure centre	(iii)	10	—
<b>Total user fees and charges received in advance</b>		<b>10</b>	<b>—</b>
<b>Total contract liabilities</b>		<b>604</b>	<b>—</b>

### Notes

(i) Council has received funding to construct assets including sporting facilities and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion.

The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

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

(iii) Upfront membership fees for the leisure centre do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected average membership life.

\$ '000	2020 Current	2020 Non-current
<b>(i) Contract liabilities relating to restricted assets</b>		
<b>Externally restricted assets</b>		
Unspent grants held as contract liabilities (excl. Water & Sewer)	594	—
<b>Contract liabilities relating to externally restricted assets</b>	<b>594</b>	<b>—</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>594</b>	<b>—</b>
<b>Total contract liabilities</b>	<b>604</b>	<b>—</b>

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

#### Grants and contributions received in advance:

Capital grants (to construct Council controlled assets) 511

#### User Fees and Charges received in advance:

Upfront fees – leisure centre 15

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

**526**

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Contract assets and liabilities (continued)

### Significant changes in contract assets and liabilities

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

### Accounting policy for contract assets and liabilities

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

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

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

## Note 12. Leases

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

### (i) Council as a lessee

Council has leases over motor vehicles plant.

#### Vehicles

Council leases 19 plant items with varying lease terms from one to ten years. The lease payments are fixed during the lease term and there is generally an option to buy at the end of the lease term.

\$ '000	Plant & Equipment	Total
(a) Right of use assets		
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	1,795	1,795
Depreciation charge	(427)	(427)
<b>RIGHT OF USE ASSETS</b>	<b>1,368</b>	<b>1,368</b>

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	343	1,059
<b>TOTAL LEASE LIABILITIES</b>	<b>343</b>	<b>1,059</b>

### (i) The maturity analysis

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

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Leases (continued)

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	403	1,000	166	1,569	1,402

\$ '000	2020 Current	2020 Non-current
<u>Total lease liabilities</u>	<u>343</u>	<u>1,059</u>

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

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

Interest on lease liabilities	90
Depreciation of right of use assets	427
Expenses relating to short-term leases	33
Expenses relating to low-value leases	6
	<u>556</u>

### (d) Statement of Cash Flows

Total cash outflow for leases	402
	<u>402</u>

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Leases (continued)

### (ii) Council as a lessor

#### (e) Operating leases

Council leases out a number of properties and plant and equipment to both community groups and staff; 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 held for strategic purposes.

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

<b>\$ '000</b>	<b>2020</b>
<b>(i) Operating lease income</b>	
Lease rentals	31
Leaseback fees - council vehicles	16
Rent and hire of council properties	66
<b>Total income relating to operating leases</b>	<b>113</b>
<b>(iv) Maturity analysis of contractual lease income</b>	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	68
1–2 years	76
2–3 years	78
3–4 years	79
4–5 years	81
> 5 years	83
<b>Total undiscounted contractual lease income receivable</b>	<b>465</b>

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Accrued expenses:				
– Interest on bonds and deposits	33	–	30	–
– Salaries and wages	196	–	166	–
– Other expenditure accruals	552	–	414	–
Trust fund	29	–	29	–
Other	5	–	13	–
Prepaid rates	126	–	–	–
<b>Total payables</b>	<b>941</b>	<b>–</b>	<b>652</b>	<b>–</b>
<b>Income received in advance (2019 only)</b>				
Payments received in advance – rates	–	–	116	–
<b>Total income received in advance</b>	<b>–</b>	<b>–</b>	<b>116</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	576	8,862	925	9,597
Finance lease liabilities (2019 only)	–	–	8	–
<b>Total borrowings</b>	<b>576</b>	<b>8,862</b>	<b>933</b>	<b>9,597</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>1,517</u></b>	<b><u>8,862</u></b>	<b><u>1,701</u></b>	<b><u>9,597</u></b>

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

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Sewer	53	2,698	50	2,750
Payables and borrowings relating to externally restricted assets	53	2,698	50	2,750
<b>Total payables and borrowings relating to restricted assets</b>	<b>53</b>	<b>2,698</b>	<b>50</b>	<b>2,750</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>1,464</b>	<b>6,164</b>	<b>1,651</b>	<b>6,847</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>1,517</u></b>	<b><u>8,862</u></b>	<b><u>1,701</u></b>	<b><u>9,597</u></b>



# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Payables and borrowings (continued)

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

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	10,522	(1,084)	–	–	–	–	9,438
Lease liabilities	8	(401)	–	–	1,795	–	1,402
<b>TOTAL</b>	<b>10,530</b>	<b>(1,485)</b>	<b>–</b>	<b>–</b>	<b>1,795</b>	<b>–</b>	<b>10,840</b>

\$ '000	as at 30/06/18		Non-cash changes				as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement		Closing balance
Loans – secured	7,978	2,544	–	–	–		10,522
Lease liabilities	–	–	8	–	–		8
<b>TOTAL</b>	<b>7,978</b>	<b>2,544</b>	<b>8</b>	<b>–</b>	<b>–</b>		<b>10,530</b>

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

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

Bank overdraft facilities <sup>1</sup>	250	250
Credit cards/purchase cards	10	10
<b>Total financing arrangements</b>	<b>260</b>	<b>260</b>

#### Undrawn facilities as at balance date:

– Bank overdraft facilities	250	250
– Credit cards/purchase cards	8	10
<b>Total undrawn financing arrangements</b>	<b>258</b>	<b>260</b>

### Additional financing arrangements information

#### Breaches and defaults

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Payables and borrowings (continued)

#### Accounting policy for payables and borrowings

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

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

#### Payables

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

#### Borrowings

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

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

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

#### Finance leases (2019 only)

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

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	531	–	485	–
Long service leave	1,206	101	1,199	63
Other leave	41	–	23	–
<b>Sub-total – aggregate employee benefits</b>	<b>1,778</b>	<b>101</b>	<b>1,707</b>	<b>63</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	4	–	–
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>–</b>
<b>TOTAL PROVISIONS</b>	<b>1,778</b>	<b>105</b>	<b>1,707</b>	<b>63</b>

### (a) Provisions relating to restricted assets

<b>Internally restricted assets</b>				
Employee Leave Entitlements	230	–	213	–
Provisions relating to internally restricted assets	230	–	213	–
<b>Total provisions relating to restricted assets</b>	<b>230</b>	<b>–</b>	<b>213</b>	<b>–</b>
<b>Total provisions relating to unrestricted assets</b>	<b>1,548</b>	<b>105</b>	<b>1,494</b>	<b>63</b>
<b>TOTAL PROVISIONS</b>	<b>1,778</b>	<b>105</b>	<b>1,707</b>	<b>63</b>

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

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

Provisions – employees benefits	1,333	1,278
	<b>1,333</b>	<b>1,278</b>

\$ '000	Other provisions	
	Asset remediation	Total
<b>2020</b>		
Other	4	4
<b>Total other provisions at end of year</b>	<b>4</b>	<b>4</b>

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Provisions (continued)

### Accounting policy for provisions

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

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

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

### Employee benefits

#### Short-term obligations

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

#### Other long-term employee benefit obligations

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

#### On-costs

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

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

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

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

#### Restoration

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Provisions (continued)

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

##### **Fair value through other comprehensive income reserve (FVOCI)**

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

##### **Other reserves**

Council has formed a reserve to represent 50% of the 2021 financial assistance grants, paid prior to 30 June 2020. This reserve will be used for Council operations during the 2020/2021 financial year.

#### (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

Council has applied AASB 15: *Revenue from Contracts with Customers* and AASB 1058: *Income of Not-for-Profit Entities* using the cumulative effective method of initially applying AASB 15 and AASB 1058 as an adjustment to the opening equity balance at 1 July 2019. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: *Revenue* and AASB 1004: *Contributions*.

##### **Upfront fees – Council leisure centre**

Prior to adopting AASB 15, the Council recognised membership joining fees on receipt. Under AASB 15, since the fees do not relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer (i.e the membership life).

##### **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 and AASB 1058, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

# Notes to the Financial Statements

for the year ended 30 June 2020

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

### 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, Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058.

	Balance at 1 July 2019
<b>\$ '000</b>	
<b>Contract liabilities</b>	
– Under AASB 15	15
– Under AASB 1058	628
<b>Total Contract liabilities</b>	<b>643</b>

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

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

### Statement of Financial Position

	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
<b>\$ '000</b>					
<b>Current assets</b>					
Cash and cash equivalents	4,797	–	–	4,797	
Receivables	1,289	–	–	1,289	
Inventories	302	–	–	302	
<b>Total current assets</b>	<b>6,388</b>	<b>–</b>	<b>–</b>	<b>6,388</b>	
<b>Current liabilities</b>					
Payables	941	–	–	941	
Contract liabilities	604	–	(604)	–	
Lease liabilities	343	–	–	343	
Borrowings	576	–	–	576	
Provisions	1,778	–	–	1,778	
<b>Total current liabilities</b>	<b>4,242</b>	<b>–</b>	<b>(604)</b>	<b>3,638</b>	
<b>Non-current assets</b>					
Receivables	167	–	–	167	
Inventories	607	–	–	607	
Infrastructure, property, plant and equipment	123,485	–	–	123,485	
Right of use assets	1,368	–	–	1,368	
<b>Total non-current assets</b>	<b>125,627</b>	<b>–</b>	<b>–</b>	<b>125,627</b>	

# Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassification	Remeasurement	Carrying amount under previous revenue standards	Notes
<b>Non-current liabilities</b>					
Lease liabilities	1,059	—	—	1,059	
Borrowings	8,862	—	—	8,862	
Provisions	105	—	—	105	
<b>Total Non-current liabilities</b>	<b>10,026</b>	<b>—</b>	<b>—</b>	<b>10,026</b>	
<b>Net assets</b>	<b>117,747</b>	<b>—</b>	<b>604</b>	<b>118,351</b>	
<b>Equity</b>					
Accumulated surplus	87,554	—	604	88,158	
Revaluation reserves	28,669	—	—	28,669	
Other reserves	1,524	—	—	1,524	
<b>Council equity interest</b>	<b>117,747</b>	<b>—</b>	<b>604</b>	<b>118,351</b>	
<b>Total equity</b>	<b>117,747</b>	<b>—</b>	<b>604</b>	<b>118,351</b>	

Council has applied AASB 15: *Revenue from Contracts with Customers* and AASB 1058: *Income for Not-For-Profit Entities* using the cumulative effective method of initially applying AASB 15 and AASB 1058 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: *Revenue* and AASB 1004: *Contributions*.

Council has elected to apply AASB 15 and AASB 1058 retrospectively only to contracts that are not completed contracts at the date of initial application. The adjustment to opening retained surplus on 1 July 2019 was a decrease of \$642,542 with a corresponding increase in contract liabilities. A classification change occurred which resulted in the deferred income now being classified as a contract liability in line with wording used in AASB 15 and AASB 1058.

## Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<b>Income from continuing operations</b>					
Rates and annual charges	5,687	—	—	5,687	
User charges and fees	3,789	—	10	3,799	
Other revenues	561	—	—	561	
Grants and contributions provided for operating purposes	6,375	—	56	6,431	
Grants and contributions provided for capital purposes	3,608	—	538	4,146	
Interest and investment income	86	—	—	86	
Net gains from the disposal of assets	153	—	—	153	
Rental income	113	—	—	113	



# Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<b>Total Income from continuing operations</b>	<b>20,372</b>	<b>—</b>	<b>604</b>	<b>20,976</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	5,295	—	—	5,295	
Borrowing costs	544	—	—	544	
Materials and contracts	4,886	—	—	4,886	
Depreciation and amortisation	3,316	—	—	3,316	
Other expenses	1,904	—	—	1,904	
<b>Total Expenses from continuing operations</b>	<b>15,945</b>	<b>—</b>	<b>—</b>	<b>15,945</b>	
<b>Total Operating result from continuing operations</b>	<b>4,427</b>	<b>—</b>	<b>604</b>	<b>5,031</b>	
Net operating result for the year	4,427	—	604	5,031	
<b>Total comprehensive income</b>	<b>10,520</b>	<b>—</b>	<b>604</b>	<b>11,124</b>	

With Council's adoption of AASB 15 and AASB 1058, income from continuing operations has decrease by \$604,253, with a corresponding increase in contract liabilities.

# Notes to the Financial Statements

for the year ended 30 June 2020

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

### 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>120,938</b>	<b>–</b>	<b>120,938</b>
Contract liabilities	–	643	643
<b>Total liabilities</b>	<b>13,068</b>	<b>643</b>	<b>13,711</b>
Accumulated surplus	85,294	(643)	84,651
<b>Total equity</b>	<b>107,870</b>	<b>(643)</b>	<b>107,227</b>

### (iii) AASB 16 Leases

#### Council as a lessee

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

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

Practical expedients used on transition

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

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

#### Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$1,795,353 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 5.20%.

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	<b>2,092</b>

### Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases

# Notes to the Financial Statements

for the year ended 30 June 2020

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

	Balance at 1 July 2019
\$ '000	
<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	1,795
<b>Add:</b>	
Finance lease liabilities	39
<b>Less:</b>	
Short-term leases included in commitments note	(33)
Leases for low-value assets included in commitments note	(6)
<b>Lease liabilities recognised at 1 July 2019</b>	<b>1,795</b>

### Council as a lessor

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

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

### Statement of Financial Position

	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
\$ '000			
Rights-of-use assets	—	1,795	1,795
<b>Total assets</b>	<b>—</b>	<b>1,795</b>	<b>1,795</b>
Leases	—	1,795	1,795
<b>Total liabilities</b>	<b>—</b>	<b>1,795</b>	<b>1,795</b>

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Statement of cash flow information

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

### (a) Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	7(a)	4,797	6,228
<b>Balance as per the Statement of Cash Flows</b>		<b>4,797</b>	<b>6,228</b>

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

<b>Net operating result from Income Statement</b>		4,427	2,213
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		3,316	2,894
Net losses/(gains) on disposal of assets		(153)	(361)
Adoption of AASB 15/1058		(643)	—
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		51	(354)
Increase/(decrease) in provision for impairment of receivables		189	7
Decrease/(increase) in inventories		81	74
Increase/(decrease) in other accrued expenses payable		168	101
Increase/(decrease) in other liabilities		5	36
Increase/(decrease) in contract liabilities		604	—
Increase/(decrease) in provision for employee benefits		109	75
Increase/(decrease) in other provisions		4	—
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>8,158</b>	<b>4,685</b>

### (c) Non-cash investing and financing activities

Acquisition of plant and equipment by means of finance leases. Refer to Note 12 for information on acquisition of assets under leases.

		—	8
<b>Total non-cash investing and financing activities</b>		<b>—</b>	<b>8</b>

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Interests in other entities

### Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

#### Details

Name of entity/operation	Principal activity/type of operation	2020	2020
		Net profit	Net assets
Riverina Regional Library	Provision of Library Services Joint Venture	122	4,675

#### Reasons for non-recognition

Junee Shire 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, Cootamundra-Gundagai, 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 4.67%.

There are 23 voting delegates, 2 of whom represent Junee Shire 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 18. Commitments

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

### (a) Capital commitments (exclusive of GST)

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

#### Property, plant and equipment

Sewerage and water infrastructure	16	—
Sewerage Treatment Plant	337	3,320
Buildings	87	—
Plant and equipment	248	—
Other	677	—
Road infrastructure	320	—
<b>Total commitments</b>	<b>1,685</b>	<b>3,320</b>

#### These expenditures are payable as follows:

Within the next year	1,685	3,320
<b>Total payable</b>	<b>1,685</b>	<b>3,320</b>

#### Sources for funding of capital commitments:

Unrestricted general funds	165	—
Future grants and contributions	185	1,826
Unexpended grants	403	—
Externally restricted reserves	168	600
Unexpended loans	87	894
New loans (to be raised)	677	—
<b>Total sources of funding</b>	<b>1,685</b>	<b>3,320</b>

#### Details of capital commitments

Sewer plant works \$16,000; Sewerage Treatment Plant Upgrade \$337,000; Residential Property \$87,000; Plant replacement program and other plant items \$248,000; John Potts Stage 8 Development \$677,000; and Kanaley Square Redevelopment \$320,000.

### (b) Finance lease commitments (2019 only)

#### (i) Finance lease liability recognised represent:

\$ '000	2020	2019
Current liabilities	—	8
<b>Total finance lease liabilities disclosed</b>	<b>—</b>	<b>8</b>

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

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

Within the next year	—	501
Later than one year and not later than 5 years	—	1,248
Later than 5 years	—	343
<b>Total non-cancellable operating lease commitments</b>	<b>—</b>	<b>2,092</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 18. Commitments (continued)

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

Refer to Note 12 for information relating to leases for 2020.

Motor Vehicles and Heavy plant

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

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

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

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 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 future service employer contributions and past service employer contributions to the Fund.

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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



# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Contingencies (continued)

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 \$125,925.81. The last valuation of the Scheme was performed by Mr Richard Boyfield FIAA and covers the period ended 30 June 2019.

The amount of additional past service contributions included in the total employer contribution advised above is \$70,500.00. Council's expected contribution to the plan for the next annual reporting period is \$119,904.72.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.18%.

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

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

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

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

### (ii) Statewide Limited

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

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

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

### (iii) StateCover Limited

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Contingencies (continued)

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#### (iv) Other guarantees

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

#### 2. Other liabilities

##### (i) Third party claims

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

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

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

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

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

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

#### ASSETS NOT RECOGNISED

##### (i) Land under roads

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

##### (ii) Infringement notices/fines

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

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

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

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

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 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.

### (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	20	20	(20)	(20)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	25	25	(25)	(25)

# 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. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

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

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

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

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

### 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	140	322	49	101	82	694
<b>2019</b>						
Gross carrying amount	121	279	42	88	71	601

#### 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	706	9	67	200	25	1,007
Expected loss rate (%)	0.05%	0.69%	41.12%	8.11%	16.75%	4.80%
<b>ECL provision</b>	—	—	28	16	4	48
<b>2019</b>						
Gross carrying amount	166	931	31	9	14	1,151
Expected loss rate (%)	0.00%	0.00%	0.00%	30.00%	30.00%	0.60%
<b>ECL provision</b>	—	—	—	3	4	7

# 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: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2020</b>							
Trade/other payables	0.00%	–	815	–	–	815	815
Loans and advances	4.99%	–	973	3,317	10,420	14,710	9,438
Lease liabilities	5.20%	–	403	1,000	166	1,569	1,402
<b>Total financial liabilities</b>		<b>–</b>	<b>2,191</b>	<b>4,317</b>	<b>10,586</b>	<b>17,094</b>	<b>11,655</b>
<b>2019</b>							
Trade/other payables	0.00%	–	623	29	–	652	652
Loans and advances	4.01%	–	1,139	3,591	10,532	15,262	10,522
Lease liabilities	6.00%	–	8	–	–	8	8
<b>Total financial liabilities</b>		<b>–</b>	<b>1,770</b>	<b>3,620</b>	<b>10,532</b>	<b>15,922</b>	<b>11,182</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 June 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	6,045	5,687	(358)	(6)% <b>U</b>
User charges and fees	3,510	3,789	279	8% <b>F</b>
Other revenues	489	561	72	15% <b>F</b>
Primarily due to greater than budgeted Fuel Tax Rebates which were for related to the previous four financial years.				
Operating grants and contributions	2,780	6,375	3,595	129% <b>F</b>
Due to half the 2021 Financial Assistance grants being paid in advance prior to 30 June 2020, and higher than budgeted Library Grants paid by the NSW Government.				
Capital grants and contributions	2,435	3,608	1,173	48% <b>F</b>
Due to funds received under the Newstart Programme for the upgrade of the Junee Sewer Treatment Plant which were budgeted for in 2019 but not received until the 2020 financial year.				
Interest and investment revenue	78	86	8	10% <b>F</b>
Due to interest on overdue rates being greater than budget, partially offset by lower returns on investments due to lower interest rates.				
Net gains from disposal of assets	667	153	(514)	(77)% <b>U</b>
Primarily due to the carrying amount of obsolete property and other infrastructure being written off during the financial year, to accommodate new asset construction.				
Rental income	–	113	113	∞ <b>F</b>

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
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### EXPENSES

Employee benefits and on-costs	5,538	5,295	243	4% F
Borrowing costs	574	544	30	5% F
Materials and contracts	4,731	4,886	(155)	(3)% U
Depreciation and amortisation	2,787	3,316	(529)	(19)% U

Due to an increase in the value of stormwater assets by way of a re-valuation and non-recognition of and implementation of AASB 16 Leases at the time of preparing the 2020 budget.

Other expenses	1,416	1,904	(488)	(34)% U
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Due to the application and recognition of the expected credit loss standards (contained within AASB 9: *Financial Instruments*) on rates and other receivables.

### STATEMENT OF CASH FLOWS

Cash flows from operating activities	3,019	8,158	5,139	170% F
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The favourable variance is due to Financial Assistance Grants being paid in Advance, additional grants for the completion of the Sewer treatment Plant which corresponded with capital spending, and higher than budgeted Developer contributions for the construction of the Junee Solar Farm and the expansion of Junee Correctional Centre.

Cash flows from investing activities	(4,114)	(8,104)	(3,990)	97% U
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Due to higher than budgeted spending on the upgrade of the Sewer Treatment Plant which was due to the delayed timing of the project and additional spending on Private works. Partially offset by the sale of the Medical Centre.

Cash flows from financing activities	25	(1,485)	(1,510)	(6,040)% U
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Primarily due to the repayment of long-term loans, recognition of lease liabilities payments and the delay in drawing down additional funding for John Potts stage 8 development.

# 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

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>2020</b>					
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/18	–	–	1,004	1,004
Office Equipment	30/06/18	–	–	65	65
Furniture & Fittings	30/06/18	–	–	64	64
Land					
– Operational Land	30/06/18	–	1,321	–	1,321
– Community Land	30/06/16	–	–	2,194	2,194
Land Improvements – depreciable	30/06/16	–	–	508	508
Buildings – Non Specialised	30/06/18	–	1,322	–	1,322
Buildings – Specialised	30/06/18	–	–	7,868	7,868
Other Structures	30/06/18	–	–	3,034	3,034
Infrastructure:					
– Roads	30/06/17	–	–	37,583	37,583
– Bridges	30/06/17	–	–	4,836	4,836
– Footpaths	30/06/17	–	–	1,868	1,868
– Bulk Earthworks (non-depreciable)	30/06/17	–	–	31,697	31,697
– Stormwater Drainage	30/06/20	–	–	9,878	9,878
– Sewerage Network	30/06/17	–	–	10,885	10,885
Other Assets	30/06/18	–	–	94	94
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>2,643</b>	<b>111,578</b>	<b>114,221</b>



# 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	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/18	—	—	1,123	1,123
Office Equipment	30/06/18	—	—	46	46
Furniture & Fittings	30/06/18	—	—	16	16
Land					
– Operational Land	30/06/18	—	1,321	—	1,321
– Community Land	30/06/16	—	—	2,232	2,232
Land Improvements – depreciable	30/06/16	—	—	559	559
Buildings – Non Specialised	30/06/18	—	1,412	—	1,412
Buildings – Specialised	30/06/18	—	—	8,431	8,431
Other Structures	30/06/18	—	—	2,775	2,775
Infrastructure:					
– Roads	30/06/17	—	—	37,388	37,388
– Bridges	30/06/17	—	—	4,913	4,913
– Footpaths	30/06/17	—	—	1,926	1,926
– Bulk Earthworks (non-depreciable)	30/06/17	—	—	31,369	31,369
– Stormwater Drainage	30/06/15	—	—	3,950	3,950
– Sewerage Network	30/06/17	—	—	10,206	10,206
Other Assets	30/06/18	—	—	96	96
Total infrastructure, property, plant and equipment		—	2,733	105,030	107,763

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

## (2) 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>	104,274
Purchases (GBV)	3,748
Disposals (WDV)	(372)
Depreciation and impairment	(2,894)
FV gains – other comprehensive income	274
<b>Closing balance</b>	<b>105,030</b>
<b>2020</b>	
<b>Opening balance</b>	105,030
Purchases (GBV)	4,510
Disposals (WDV)	(1,257)
Depreciation and impairment	(2,798)
FV gains – other comprehensive income	6,093
<b>Closing balance</b>	<b>111,578</b>

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

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Plant & Equipment	1,004	Depreciated replacement cost	<ul style="list-style-type: none"> <li>- Gross replacement cost</li> <li>Obtain quotations otherwise estimated unit rates based on recent costs</li> <li>- Asset condition</li> <li>- Remaining useful life</li> <li>- Residual Value</li> </ul>
Office Equipment	65	Depreciated replacement cost	<ul style="list-style-type: none"> <li>- Gross replacement cost</li> <li>Obtain quotations otherwise estimated unit rates based on recent costs</li> <li>- Asset condition</li> <li>- Remaining useful life</li> <li>- Residual Value</li> </ul>
Furniture & Fittings	64	Depreciated replacement cost	<ul style="list-style-type: none"> <li>- Gross replacement cost</li> <li>Obtain quotations otherwise estimated unit rates based on recent costs</li> <li>- Asset condition</li> <li>- Remaining useful life</li> <li>- Residual Value</li> </ul>
Community Land	2,194	Current replacement cost	Cost per square metre, Valuers valuation
Land Improvements - depreciable	508	Depreciated replacement cost	<ul style="list-style-type: none"> <li>- Gross replacement cost</li> <li>Obtain quotations otherwise estimated unit rates based on recent costs</li> <li>- Asset condition</li> <li>- Remaining useful life</li> <li>- Residual Value</li> </ul>
Buildings - Specialised	7,868	Depreciated replacement cost	<ul style="list-style-type: none"> <li>- Gross replacement cost</li> <li>Obtain quotations otherwise estimated unit rates based on recent costs</li> <li>- Asset condition</li> <li>- Remaining useful life</li> <li>- Residual Value</li> </ul>
Other Structures	3,034	Depreciated replacement cost	<ul style="list-style-type: none"> <li>- Gross replacement cost</li> <li>Obtain quotations otherwise estimated unit rates based on recent costs</li> <li>- Asset condition</li> <li>- Remaining useful life</li> <li>- Residual Value</li> </ul>

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Roads	37,583	Depreciated replacement cost	<ul style="list-style-type: none"> <li>- Gross replacement cost</li> <li>Estimated unit rates based on a combination of contract rates, location, site conditions and checked against recent construction costs</li> <li>- Asset condition</li> <li>- Remaining useful life</li> <li>- Residual Value</li> </ul>
Bridges	4,836	Depreciated replacement cost	<ul style="list-style-type: none"> <li>- Gross replacement cost</li> <li>Obtain quotations otherwise estimated unit rates based on recent costs</li> <li>- Asset condition</li> <li>- Remaining useful life</li> <li>- Residual Value</li> </ul>
Footpaths	1,868	Depreciated replacement cost	<ul style="list-style-type: none"> <li>- Gross replacement cost</li> <li>Obtain quotations otherwise estimated unit rates based on recent costs</li> <li>- Asset condition</li> <li>- Remaining useful life</li> <li>- Residual Value</li> </ul>
Bulk Earthworks (non-depreciable)	31,697	Current replacement cost	<ul style="list-style-type: none"> <li>- Gross replacement cost</li> <li>Estimated unit rates based on a combination of contract rates, location, site conditions and checked against recent construction costs</li> <li>- Asset condition</li> <li>- Remaining useful life</li> <li>- Residual Value</li> </ul>
Stormwater Drainage	9,878	Depreciated replacement cost	<ul style="list-style-type: none"> <li>- Gross replacement cost</li> <li>Estimated unit rates based on a combination of contract rates, location, site conditions and checked against recent construction costs</li> <li>- Asset condition</li> <li>- Remaining useful life</li> <li>- Residual Value</li> </ul>
Sewerage Network	10,885	Depreciated replacement cost	<ul style="list-style-type: none"> <li>- Gross replacement cost</li> <li>2014 NSW Reference Rate Manual for Water Supply, Sewerage and Stormwater Assets and checked against recent construction costs.</li> <li>- Asset condition</li> <li>- Remaining useful life</li> <li>- Residual Value</li> </ul>

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Other	94	Depreciated replacement cost	<ul style="list-style-type: none"> <li>- Gross replacement cost</li> <li>Obtain quotations otherwise estimated unit rates based on recent costs</li> <li>- Asset condition</li> <li>- Remaining useful life</li> <li>- Residual Value</li> </ul>

### (3) Highest and best use

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 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	901	791
Post-employment benefits	70	64
Other long-term benefits	18	30
Termination benefits	27	–
<b>Total</b>	<b>1,016</b>	<b>885</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>					
Mark Halliburton Plumbing and Gas	5	–	30 Day Account	–	–
R S Taylor Plumbing Services	77	–	30 Day Account	–	–
Junee District Co-Operative Society (trading as Junee IGA)	7	–	30 Day Account	–	–
Matt Riley Mechanical Repairs	–	–	30 Day Account	–	–
<b>2019</b>					
Mark Halliburton Plumbing and Gas	30	–	30 Day Account	–	–
R S Taylor Plumbing Services	65	–	30 Day Account	–	–
Junee District Co-Operative Society (trading as Junee IGA)	8	–	30 Day Account	–	–

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Related party disclosures (continued)

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000					
Matt Riley Mechanical Repairs	1	—	30 Day Account	—	—

### Note 24. Statement of developer contributions

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

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

### Summary of contributions and levies

	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Roads	—	135	—	—	(135)	—	—	—
Open space	—	145	—	—	(145)	—	—	—
Community facilities	—	125	—	—	(125)	—	—	—
<b>Total S7.11 and S7.12 revenue under plans</b>	—	405	—	—	(405)	—	—	—
<b>Total contributions</b>	—	405	—	—	(405)	—	—	—

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25. Result by fund

\$ '000	General <sup>1</sup> 2020	Sewer 2020
<b>Income Statement by fund</b>		
<b>Income from continuing operations</b>		
Rates and annual charges	4,977	710
User charges and fees	3,407	382
Interest and investment revenue	68	18
Other revenues	559	2
Grants and contributions provided for operating purposes	6,357	18
Grants and contributions provided for capital purposes	1,150	2,458
Net gains from disposal of assets	153	–
Rental income	113	–
<b>Total income from continuing operations</b>	<b>16,784</b>	<b>3,588</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	5,084	211
Borrowing costs	422	122
Materials and contracts	4,482	404
Depreciation and amortisation	3,126	190
Other expenses	1,890	14
<b>Total expenses from continuing operations</b>	<b>15,004</b>	<b>941</b>
<b>Operating result from continuing operations</b>	<b>1,780</b>	<b>2,647</b>
<b>Net operating result for the year</b>	<b>1,780</b>	<b>2,647</b>
<b>Net operating result attributable to each council fund</b>	<b>1,780</b>	<b>2,647</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>630</b>	<b>189</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 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	Sewer 2020
<b>Statement of Financial Position by fund</b>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,369	1,428
Receivables	1,164	125
Inventories	302	—
<b>Total current assets</b>	<b>4,835</b>	<b>1,553</b>
<b>Non-current assets</b>		
Receivables	167	—
Inventories	607	—
Infrastructure, property, plant and equipment (excluding Capital WIP)	103,348	10,885
Right of use assets	1,368	—
Capital WIP	1,437	7,815
<b>Total non-current assets</b>	<b>106,927</b>	<b>18,700</b>
<b>TOTAL ASSETS</b>	<b>111,762</b>	<b>20,253</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	941	—
Contract liabilities	604	—
Lease liabilities	343	—
Borrowings	523	53
Provisions	1,778	—
<b>Total current liabilities</b>	<b>4,189</b>	<b>53</b>
<b>Non-current liabilities</b>		
Lease liabilities	1,059	—
Borrowings	6,164	2,698
Provisions	105	—
<b>Total non-current liabilities</b>	<b>7,328</b>	<b>2,698</b>
<b>TOTAL LIABILITIES</b>	<b>11,517</b>	<b>2,751</b>
<b>Net assets</b>	<b>100,245</b>	<b>17,502</b>
<b>EQUITY</b>		
Accumulated surplus	77,750	9,804
Revaluation reserves	20,971	7,698
Other reserves	1,524	—
<b>Council equity interest</b>	<b>100,245</b>	<b>17,502</b>
<b>Total equity</b>	<b>100,245</b>	<b>17,502</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 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>	666	4.01%	(5.93)%	2.96%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	16,611				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	10,236	50.63%	51.68%	58.97%	>60.00%
Total continuing operating revenue <sup>1</sup>	20,219				
3. Unrestricted current ratio					
Current assets less all external restrictions	2,520	1.11x	1.51x	1.14x	>1.50x
Current liabilities less specific purpose liabilities	2,262				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	4,526	1.94x	2.43x	3.03x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,329				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	512	8.11%	9.35%	8.78%	<10.00%
Rates, annual and extra charges collectible	6,312				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	4,797	3.67	4.97	4.27	>3.00
Monthly payments from cash flow of operating and financing activities	1,309	mths	mths	mths	mths

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

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

# Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General Indicators <sup>3</sup>		Sewer Indicators		Benchmark
	2020	2019	2020	2019	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	3.08%	(8.55)%	16.73%	30.08%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>					
2. Own source operating revenue ratio					
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	54.86%	54.65%	30.99%	35.82%	>60.00%
Total continuing operating revenue <sup>1</sup>					
3. Unrestricted current ratio					
Current assets less all external restrictions	1.11x	1.51x	29.30x	70.18x	>1.50x
Current liabilities less specific purpose liabilities					
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	1.82x	1.92x	4.11x	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	9.14%	10.49%	0.00%	0.00%	<10.00%
Rates, annual and extra charges collectible					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	2.57	2.26	∞	∞	>3.00
Payments from cash flow of operating and financing activities	mths	mths			mths

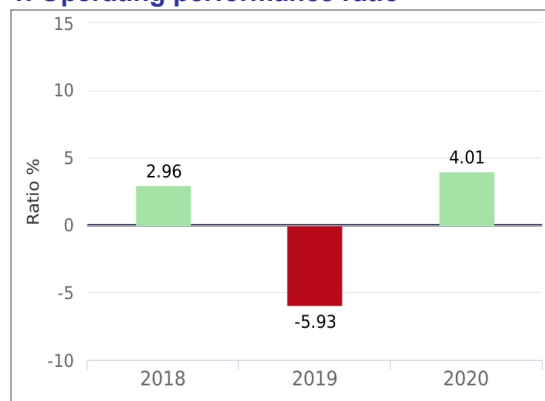
(1) - (2) Refer to Notes at Note 23a above.

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

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

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

### 1. Operating performance ratio



#### Purpose of operating performance ratio

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

#### Commentary on 2019/20 result

2019/20 ratio 4.01%

The improvement is due to lower expenditure on wages, higher grants for roads and higher Sect 94A contributions levied on developers. The positive figure indicates that Council is not as dependent on grant revenue as the previous year. Council is working towards meeting this benchmark consistently by making a surplus.

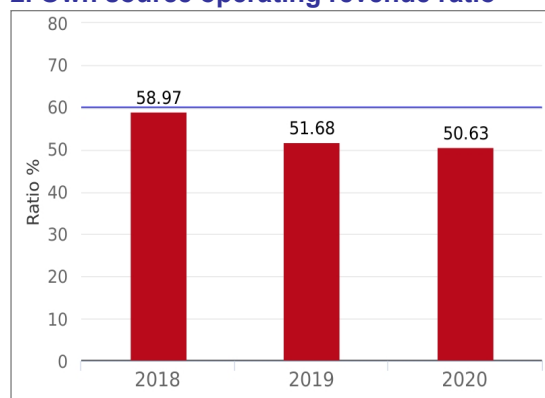
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

### 2. Own source operating revenue ratio



#### Purpose of own source operating revenue ratio

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

#### Commentary on 2019/20 result

2019/20 ratio 50.63%

Due to the paying of government grants and lower than budgeted income from council's Fitness Centre and Family Daycare Service due to COVID19.

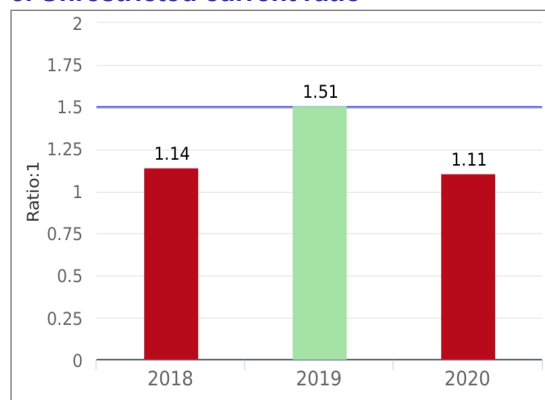
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

### 3. Unrestricted current ratio



#### Purpose of unrestricted current ratio

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

#### Commentary on 2019/20 result

2019/20 ratio 1.11x

The deterioration in this figure is due to the recognising of future lease payments as liabilities for the first time in accordance with the provisions of AASB16.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

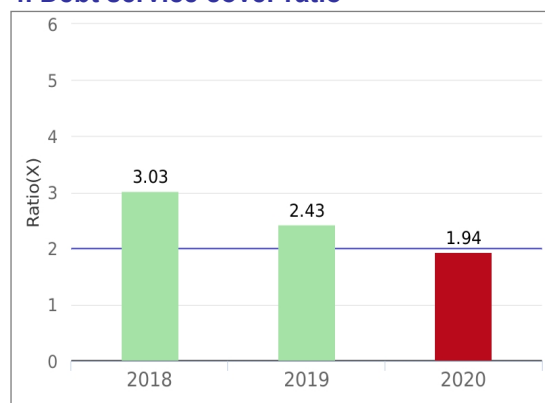
Ratio is outside benchmark

# Notes to the Financial Statements

for the year ended 30 June 2020

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

### 4. Debt service cover ratio



#### Purpose of debt service cover ratio

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

#### Commentary on 2019/20 result

2019/20 ratio 1.94x

The fall in this ratio is due to repayments of long term principal funding during the year, and the recognition of lease liabilities in accordance with AASB16. Both of these made the debt servicing ratio lower for 2020 than in previous years. Overall council repaid \$1.39 million in principal during the year which reduced borrowings to \$9.44 million.

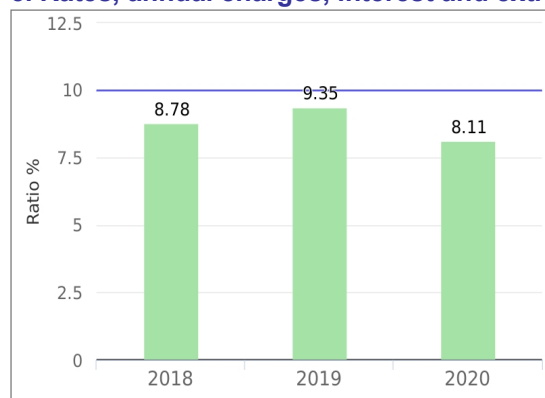
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

#### Commentary on 2019/20 result

2019/20 ratio 8.11%

Due to the impairment of rates and other annual charges by \$197,000. If the impairment were to be taken out of the calculation this ratio would be approximately 9.33%.

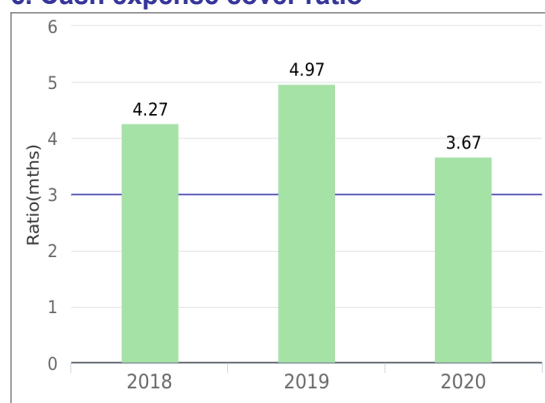
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

### 6. Cash expense cover ratio



#### Purpose of cash expense cover ratio

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

#### Commentary on 2019/20 result

2019/20 ratio 3.67 mths

The fall in this ratio is due to the spending of loan funds for the upgrade of the Sewer Treatment Plant in 2020 which were received in the previous year.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27. Financial review

\$ '000	2020	2019	2018	2017	2016
<b>Key financial figures of Council over the past 5 years</b>					
<b>Inflows:</b>					
Rates and annual charges revenue	5,687	5,442	5,265	5,012	4,630
User charges revenue	3,789	3,293	3,820	3,298	2,871
Interest and investment revenue (losses)	86	92	113	85	116
Grants income – operating and capital	9,312	7,910	5,926	7,366	6,669
Total income from continuing operations	20,372	18,338	16,655	16,950	15,132
Sale proceeds from I,PP&E	1,642	1,115	1,807	1,265	1,368
New loan borrowings and advances	300	3,100	600	380	–
<b>Outflows:</b>					
Employee benefits and on-cost expenses	5,295	5,312	5,324	4,429	4,413
Borrowing costs	544	447	390	400	349
Materials and contracts expenses	4,886	5,961	5,975	5,890	4,840
Total expenses from continuing operations	15,945	16,125	15,813	14,246	13,088
Total cash purchases of I,PP&E	9,669	6,558	3,380	4,520	4,786
Total loan repayments (incl. finance leases)	1,811	556	708	598	133
Operating surplus/(deficit) (excl. capital income)	819	(541)	242	1,982	846
<b>Financial position figures</b>					
Current assets	6,388	8,173	6,886	5,091	4,692
Current liabilities	4,242	3,408	3,406	2,921	3,298
Net current assets	2,146	4,765	3,480	2,170	1,394
Available working capital (Unrestricted net current assets)	1,796	2,176	1,706	1,373	1,509
Cash and investments – unrestricted	141	1,022	641	33	141
Cash and investments – internal restrictions	913	288	282	285	281
Cash and investments – total	4,797	6,228	5,127	3,279	2,817
Total borrowings outstanding (Loans, advances and finance leases)	9,438	10,530	7,978	8,086	8,304
Total value of I,PP&E (excl. land and earthworks)	160,051	141,732	136,169	136,928	134,251
Total accumulated depreciation	71,778	64,785	62,754	61,252	44,642
Indicative remaining useful life (as a % of GBV)	55%	54%	54%	55%	67%

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 28. Council information and contact details

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**Principal place of business:**

29 Belmore Street  
Junee NSW 2663

**Contact details**

**Mailing Address:**

PO Box 93  
Junee NSW 2663

**Opening hours:**

9:00am - 5:00pm  
Monday to Friday

**Telephone:** 02 6924 8100

**Facsimile:** 02 6924 2497

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

**Email:** [jsc@junee.nsw.gov.au](mailto:jsc@junee.nsw.gov.au)

**Officers**

**General Manager**

[James Davis](#)

**Responsible Accounting Officer**

[Luke Taberner](#)

**Public Officer**

Mr Luke Taberner

**Auditors**

Auditor General NSW

**Elected members**

**Mayor**

[Cr Neil Smith](#)

**Councillors**

Cr Matt Austin

Cr Robin Asmus

Cr Robert Callow

Cr David Carter

Cr Mark Cook

Cr Pam Halliburton

Cr Martin Holmes

Cr Kerri Walker

**Other information**

**ABN:** 62 621 799 578



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Junee Shire Council

To the Councillors of Junee Shire Council

### Opinion

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

In my opinion:

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

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

## Basis for Opinion

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

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

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

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

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

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

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Statements

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

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



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

My objectives are to:

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

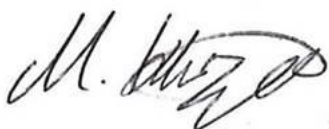
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 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.



Michael Kharzoo  
Delegate of the Auditor-General for New South Wales

10 November 2020  
SYDNEY



Cr Neil Smith  
Mayor  
Junee Shire Council  
PO Box 93  
JUNEE NSW 2663

Contact: Michael Kharzoo  
Phone no: (02) 9275 7188  
Our ref: D2025733/1745

10 November 2020

Dear Mayor

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

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

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

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

**INCOME STATEMENT**

**Operating result**

	<b>2020</b>	<b>2019</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	5.7	5.4	↑ 4.5
Grants and contributions revenue	10.0	8.7	↑ 14.9
Operating result from continuing operations	4.4	2.2	↑ 100.0
Net operating result before capital grants and contributions	0.8	(0.5)	↑ 251.4

Rates and annual charges revenue (\$5.7 million) increased by \$0.3 million (4.5 per cent) in 2019–20 mainly due to the IPART rate peg, which increased general rates revenue by 2.7 per cent in 2019–20.

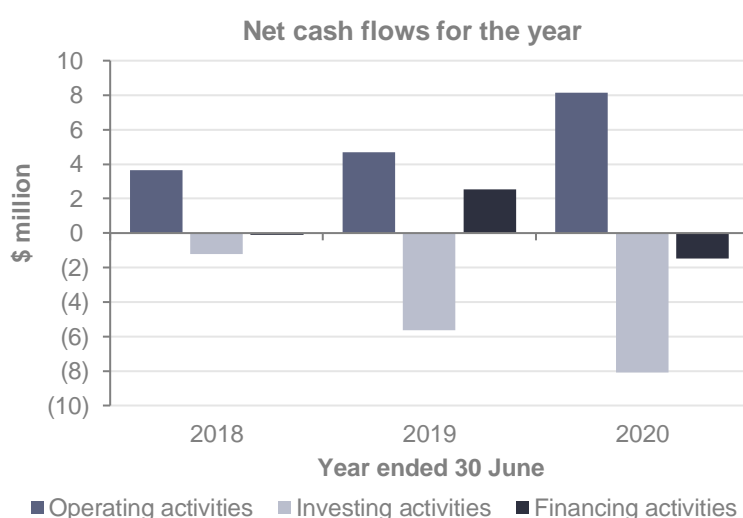
Grants and contributions revenue (\$10.0 million) increased by \$1.3 million (14.9 per cent) in 2019–20 due to an increase in special purpose grants. This includes an increase of \$0.7 million in grant funding for the new sewer treatment plant.

The Council's operating result from continuing operations (\$4.4 million including depreciation and amortisation expense of \$3.3 million) was \$2.2 million higher than the 2018–19 result. This was primarily due to the increase in specific purpose grants across the year and a reduction of contractor and consultancy expenses.

The net operating result before capital grants and contributions (\$0.8 million) was \$1.3 million higher than the 2018–19 result. The increase is mainly due to an increase in user fees and charges (particularly Private works – section 67) and reduction in contractor and consultancy expenses.

## STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$4.8 million (\$6.2 million for the year ended 30 June 2019). There was a net decrease in cash and cash equivalents of \$1.4 million at 30 June 2020.
- Net cash provided by operating activities has increased by \$3.5 million. This is mainly due to the increase in cash receipts from grant funding and decreases in materials and contracts and other payments.
- Net cash used in investing activities has increased by \$2.5 million. This is mainly due to the purchase of IPP&E.
- Net cash flows from financing activities decreased by \$3.9million. This is mainly due to an increase in borrowing repayments in the 2020 financial year after borrowings were drawn down in 2019.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$'000	\$'000	
External restrictions	3,743	4,918	<ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. The externally restricted funds as at 30 June 2020 has decreased due to the spending of the 30 June 2019 unspent \$1.5 million sewer treatment plant upgrade loan.</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 increase of \$0.7 million is mainly due to the sale of property proceeds (\$0.6 million) being restricted.</li> <li>Unrestricted cash and investments have decreased due to additional repayment of borrowings during 2020 of \$1.4 million, compared with \$0.6 million in 2019.</li> </ul>
Internal restrictions	913	288	
Unrestricted	141	1,022	
<b>Cash and investments</b>	<b>4,797</b>	<b>6,228</b>	

### Debt

Council has \$9.4 million of borrowings as at 30 June 2020 (2019: \$10.5 million). Decrease in 2020 relates to payment of borrowings (\$1.4 million) with only one additional new loan (\$0.3 million).

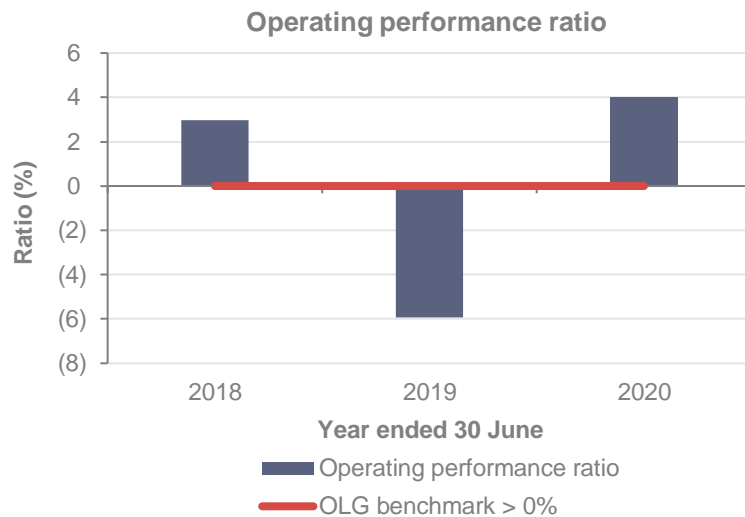
## PERFORMANCE

### Performance measures

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

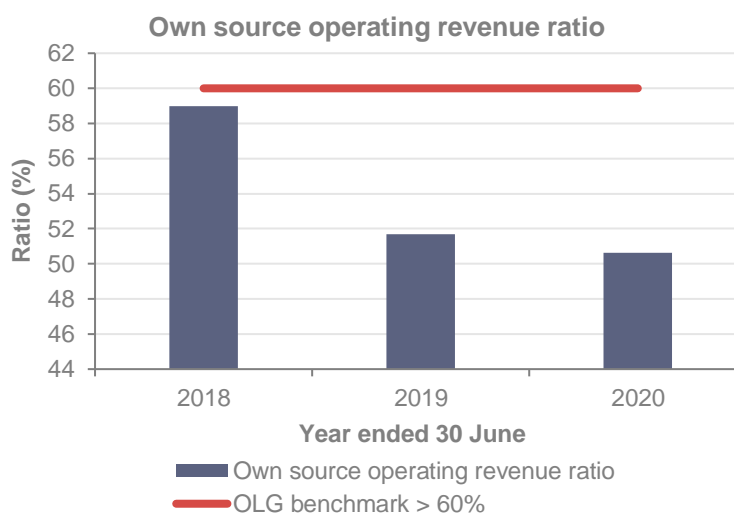
#### Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.
- The Council exceeded the OLG benchmark for the current reporting period. This indicates the Council can contain operating expenditure within operating revenue.
- The increase in operating performance ratio is mainly due to the increase in operating specific purpose grants and a decrease in expenditure on contractor/consultancy costs.



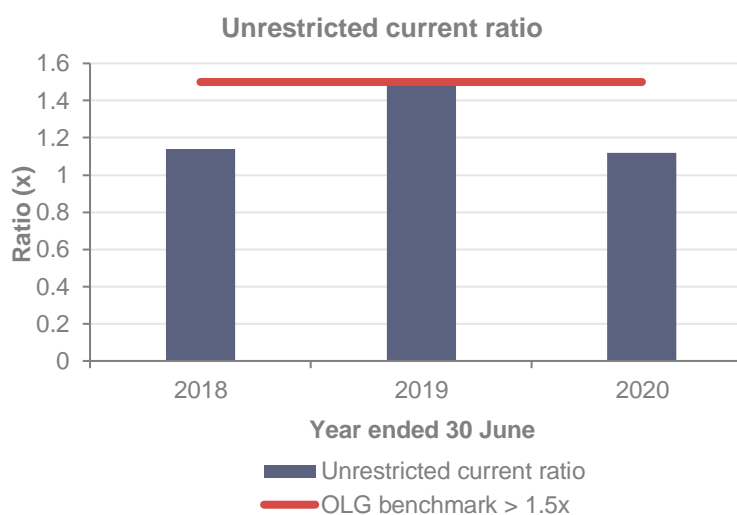
### Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The Council did not meet the OLG benchmark for the current reporting period.
- The own source operating revenue ratio reduced slightly in 2020 given the increased level in grants and contributions.



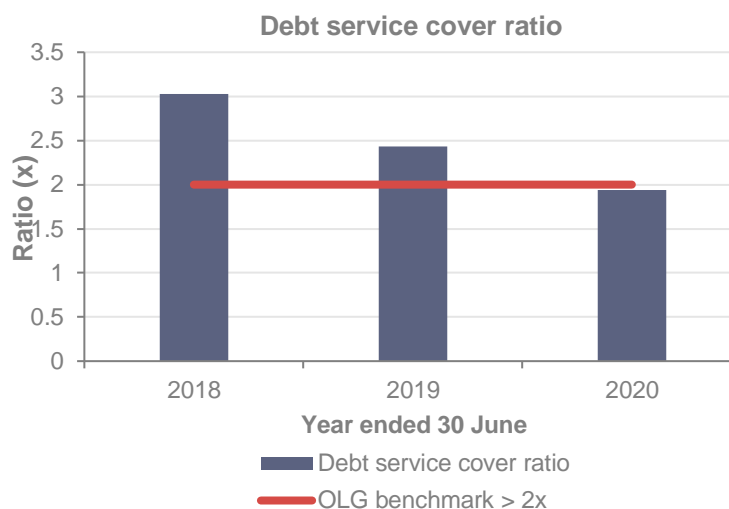
### Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council did not meet the OLG benchmark for the current reporting period. Council need to monitor unrestricted cash levels to ensure they can meet current liabilities as and when they fall due.
- Council's unrestricted current ratio is down on the prior year, which was impacted by the implementation of the new leasing accounting standard creating additional current liabilities.



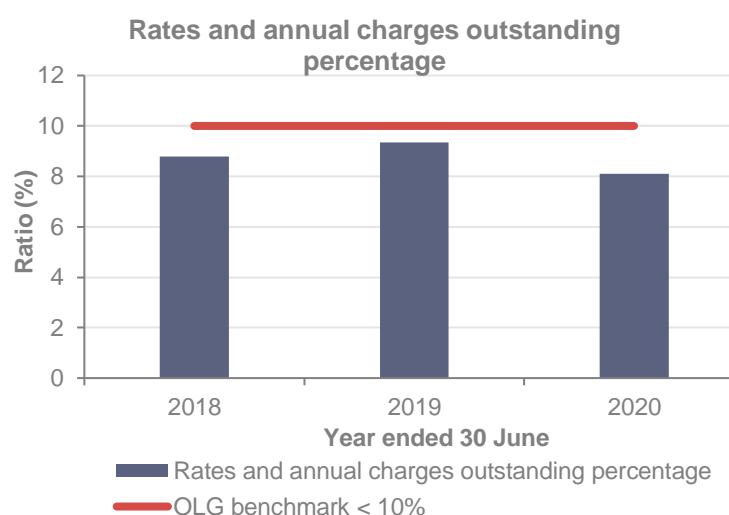
## Debt service cover ratio

- 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 was marginally below the OLG benchmark for the current reporting period.
- The ratio has been impacted by the recognition of lease liabilities under the new accounting standard, hence the reduction from 2019 to 2020.



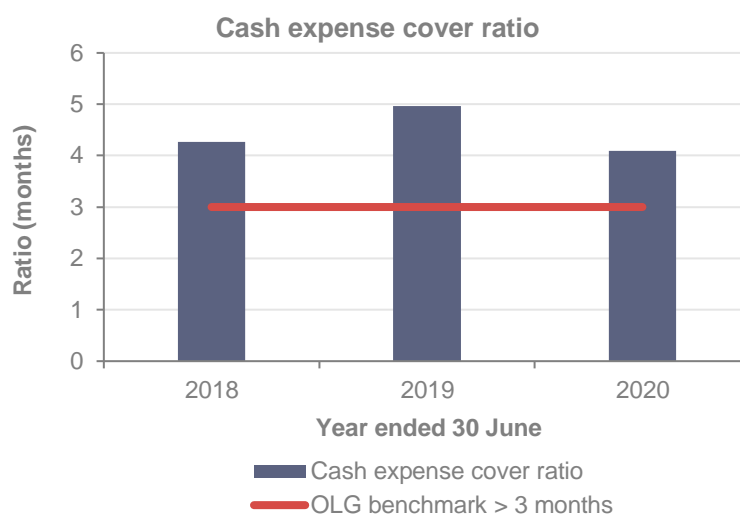
## Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- The Council exceeded the OLG benchmark for the current reporting period.
- The result has remained consistent over the last three years indicating that the Council's rate recovery measures continue to be effective in collecting and managing outstanding debts.



### Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council exceeded the OLG benchmark for the current reporting period.
- The fall in this ratio in 2020 from 2019, is due to spending of loan funds for the upgrade of the new sewer treatment plant in 2020 which were received in the previous year.



### Infrastructure, property, plant and equipment renewals

The Council renewed \$7.4 million of assets in the 2019-20 financial year, compared to \$4.7 million of assets in the 2018-19 financial year. The increase is primarily due to \$2 million of additional capital work in progress (largely relating to the new sewer treatment plan) and \$1.3 million of roads.

## OTHER MATTERS

### Impact of new accounting standards

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

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

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

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

The Council recognised a \$643 thousand adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

#### AASB 16 'Leases'

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



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

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

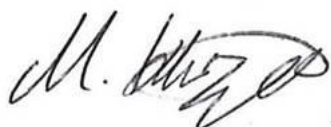
The Council recognised right-of-use assets of \$1.8 million and lease liabilities of \$1.8 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 15.

## **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.



Michael Kharzoo  
Delegate of the Auditor-General for New South Wales

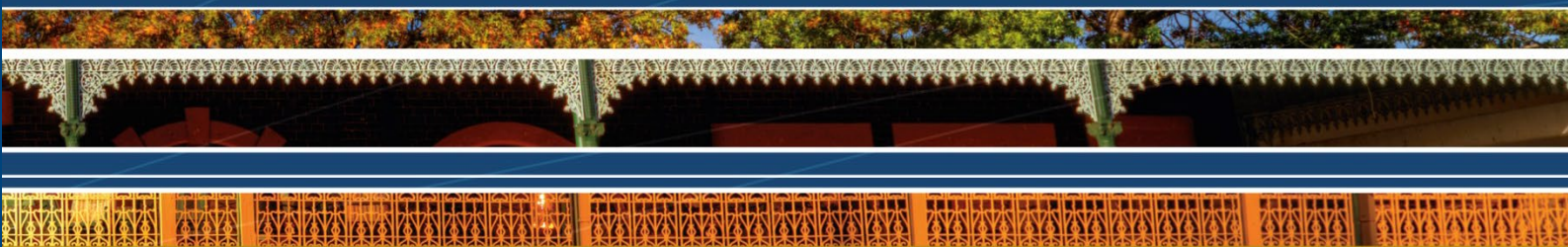
cc: James Davis, General Manager  
Luke Taberner, Chief Financial Officer  
Jim Betts, Secretary of the Department of Planning, Industry and Environment



**JUNEE SHIRE COUNCIL**

# **SPECIAL PURPOSE FINANCIAL STATEMENTS**

**For the year ended 30 June 2020**



## Special Purpose Financial Statements

for the year ended 30 June 2020

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### Background

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

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

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

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

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

## 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:

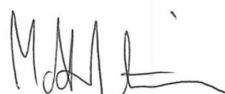
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 22 September 2020.



Cr Neil Smith  
**Mayor**  
22 September 2020



Cr Matt Austin  
**Councillor**  
22 September 2020



James Davis  
**General Manager**  
22 September 2020



Luke Taberner  
**Responsible Accounting Officer**  
22 September 2020

# Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	710	650
User charges	382	342
Grants and contributions provided for non-capital purposes	18	17
Interest	18	21
Other income	2	4
<b>Total income from continuing operations</b>	<b>1,130</b>	<b>1,034</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	211	289
Borrowing costs	122	–
Materials and contracts	404	227
Depreciation, amortisation and impairment	190	207
Other expenses	14	–
<b>Total expenses from continuing operations</b>	<b>941</b>	<b>723</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>189</b>	<b>311</b>
Grants and contributions provided for capital purposes	2,458	1,805
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>2,647</b>	<b>2,116</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>2,647</b>	<b>2,116</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(52)	(86)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,595</b>	<b>2,030</b>
<b>Plus accumulated surplus</b>	<b>7,157</b>	<b>5,041</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	52	86
<b>Closing accumulated surplus</b>	<b>9,804</b>	<b>7,157</b>
<b>Return on capital %</b>	<b>2.9%</b>	<b>3.0%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	2,595	2,030
Less: capital grants and contributions (excluding developer contributions)	(2,458)	(1,805)
<b>Surplus for dividend calculation purposes</b>	<b>137</b>	<b>225</b>
<b>Potential dividend calculated from surplus</b>	<b>69</b>	<b>113</b>

# Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,428	3,400
Receivables	125	109
<b>Total current assets</b>	<b>1,553</b>	<b>3,509</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	10,885	10,206
Capital work in progress	7,815	3,862
<b>Total non-current assets</b>	<b>18,700</b>	<b>14,068</b>
<b>TOTAL ASSETS</b>	<b>20,253</b>	<b>17,577</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Borrowings	53	50
<b>Total current liabilities</b>	<b>53</b>	<b>50</b>
<b>Non-current liabilities</b>		
Borrowings	2,698	2,750
<b>Total non-current liabilities</b>	<b>2,698</b>	<b>2,750</b>
<b>TOTAL LIABILITIES</b>	<b>2,751</b>	<b>2,800</b>
<b>NET ASSETS</b>	<b>17,502</b>	<b>14,777</b>
<b>EQUITY</b>		
Accumulated surplus	9,804	7,157
Revaluation reserves	7,698	7,620
<b>TOTAL EQUITY</b>	<b>17,502</b>	<b>14,777</b>

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

## Note 1. Significant Accounting Policies

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

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

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

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

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

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

### National Competition Policy

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

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

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

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

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

### Declared business activities

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

#### Category 1

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

Nil

#### Category 2

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

#### Junee Sewerage Service

Comprising the activities and net assets of Council's Sewerage Reticulation & Treatment Operations servicing the town of Junee.

### Monetary amounts

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



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

## Note 1. Significant Accounting Policies (continued)

### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

### Income tax

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

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

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

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

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

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

### Local government rates and charges

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

### Loan and debt guarantee fees

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



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

## Note 1. Significant Accounting Policies (continued)

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

### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

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

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

### (iv) Dividends

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

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

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

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

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



## **INDEPENDENT AUDITOR'S REPORT**

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

#### **Junee Shire Council**

To the Councillors of Junee Shire Council

### **Opinion**

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2020, and its 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:

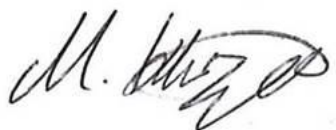
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.

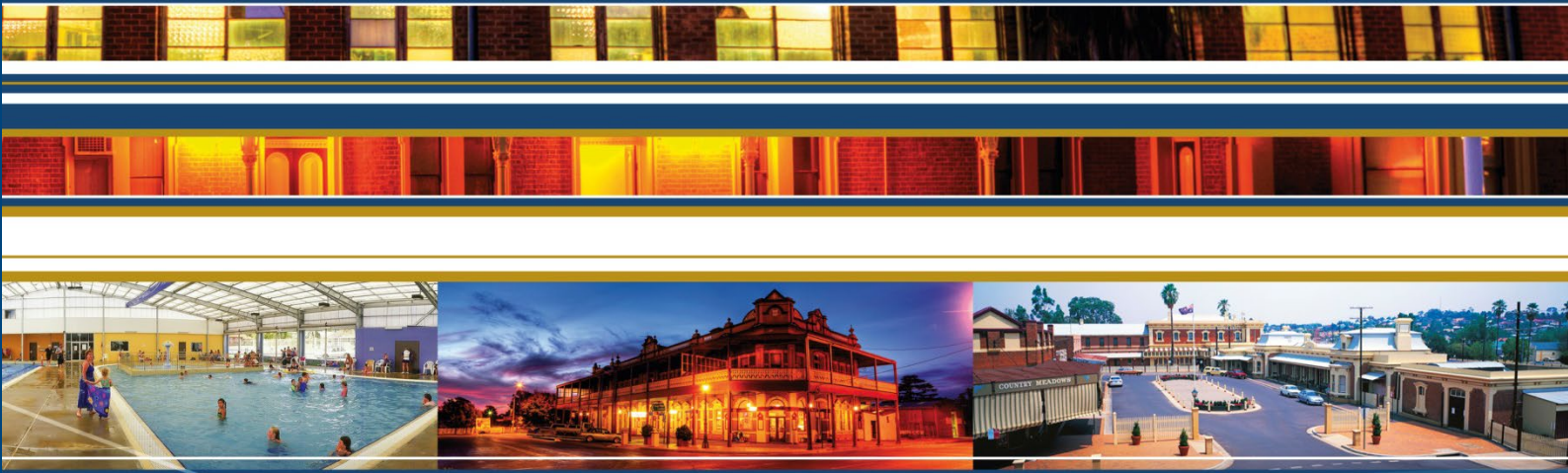
The scope of my audit does not include, nor provide assurance:

- 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.

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo  
Delegate of the Auditor-General for New South Wales

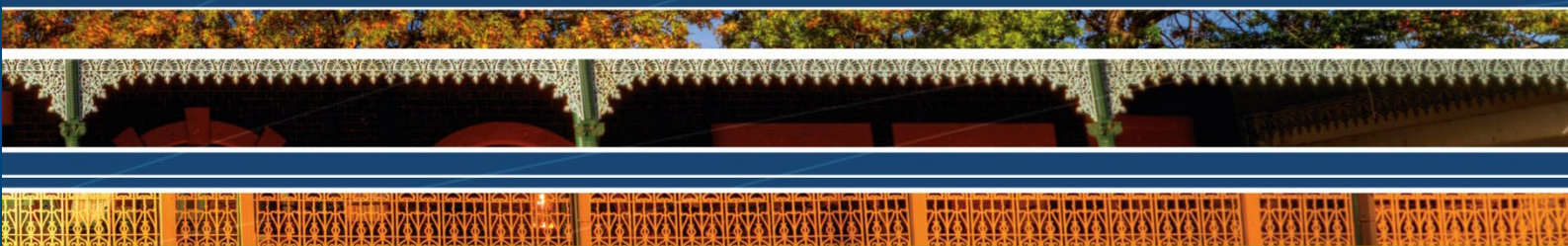
10 November 2020  
SYDNEY



**JUNEE SHIRE COUNCIL**

## **SPECIAL SCHEDULES**

**For the year ended 30 June 2020**



## Special Schedules

for the year ended 30 June 2020

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#### **Special Schedules**

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# Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	4,059	3,939
Plus or minus adjustments <sup>2</sup>	b	21	13
<b>Notional general income</b>	$c = a + b$	<b>4,080</b>	<b>3,952</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	$i = e \times (c + g)$	106	107
<b>Sub-total</b>	$k = (c + g + h + i + j)$	<b>4,186</b>	<b>4,059</b>
Plus (or minus) last year's carry forward total	l	3	3
<b>Sub-total</b>	$n = (l + m)$	<b>3</b>	<b>3</b>
<b>Total permissible income</b>	$o = k + n$	<b>4,189</b>	<b>4,062</b>
Less notional general income yield	p	4,185	4,059
<b>Catch-up or (excess) result</b>	$q = o - p$	<b>4</b>	<b>3</b>
Less unused catch-up <sup>5</sup>	s	(2)	—
<b>Carry forward to next year <sup>6</sup></b>	$t = q + r - s$	<b>2</b>	<b>3</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.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (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**

#### **Junee Shire Council**

To the Councillors of Junee Shire Council

### **Opinion**

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

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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



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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

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

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

My objectives are to:

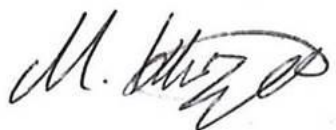
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo  
Delegate of the Auditor-General for New South Wales

10 November 2020  
SYDNEY

# Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring to the agreed level of service set by Council		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
<b>(a) Report on Infrastructure Assets - Values</b>												
<b>Buildings</b>	Council offices / Administration Centres	7	7	3	75	977	2,368	0.0%	10.1%	89.9%	0.0%	0.0%
	Council Works Depot	16	16	9	27	415	1,497	0.0%	9.4%	31.5%	43.8%	15.3%
	Council Public Halls	416	416	30	32	1,245	2,775	0.0%	0.0%	0.0%	100.0%	0.0%
	Council Houses	—	—	5	—	145	396	0.0%	27.8%	0.0%	72.2%	0.0%
	Medical Centre	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Museum	11	11	2	17	399	2,293	3.1%	0.0%	0.0%	96.9%	0.0%
	Library	—	—	5	17	896	1,274	0.0%	100.0%	0.0%	0.0%	0.0%
	Amenities/Toilets	29	29	9	—	1,698	3,163	0.3%	63.0%	35.2%	1.5%	0.0%
	Swimming Pool	32	32	4	24	1,387	2,051	0.0%	100.0%	0.0%	0.0%	0.0%
	Recreation Centre	35	35	5	901	2,347	5,376	0.0%	0.0%	97.4%	0.0%	2.6%
	Other	86	86	10	—	1,068	1,254	89.4%	5.6%	0.0%	3.3%	1.7%
	<b>Sub-total</b>	<b>632</b>	<b>632</b>	<b>82</b>	<b>1,093</b>	<b>10,577</b>	<b>22,447</b>	<b>5.4%</b>	<b>26.2%</b>	<b>39.9%</b>	<b>26.9%</b>	<b>1.7%</b>
<b>Other structures</b>	Other structures	182	182	8	—	1,647	2,854	32.1%	33.3%	16.3%	15.3%	3.0%
	<b>Sub-total</b>	<b>182</b>	<b>182</b>	<b>8</b>	<b>—</b>	<b>1,647</b>	<b>2,854</b>	<b>32.1%</b>	<b>33.3%</b>	<b>16.3%</b>	<b>15.3%</b>	<b>3.0%</b>
<b>Roads</b>	Unsealed roads	241	241	62	279	10,124	11,329	9.2%	58.6%	29.7%	2.5%	0.0%
	Bridges	—	—	—	1	4,836	7,751	0.0%	75.4%	20.9%	3.7%	0.0%
	Footpaths	—	—	1	58	1,868	2,904	3.7%	62.9%	25.4%	8.0%	0.0%
	Sealed Roads Surface	104	104	80	317	4,378	9,750	38.9%	41.3%	19.5%	0.3%	0.0%
	Sealed Roads Structure	671	671	152	440	50,026	69,293	34.5%	46.4%	19.1%	0.0%	0.0%
	Kerb & Gutter	—	—	1	6	4,752	9,398	11.4%	36.8%	40.3%	11.2%	0.3%
	<b>Sub-total</b>	<b>1,016</b>	<b>1,016</b>	<b>296</b>	<b>1,101</b>	<b>75,984</b>	<b>110,425</b>	<b>27.1%</b>	<b>48.9%</b>	<b>22.3%</b>	<b>1.7%</b>	<b>0.0%</b>
<b>Sewerage network</b>	Mains	1,593	1,593	54	353	4,777	10,900	34.9%	4.3%	3.6%	57.2%	0.0%
	Treatment	146	146	64	277	1,832	6,887	0.0%	0.0%	32.0%	25.0%	43.0%
	Effluent Reuse	24	24	15	62	1,000	1,201	56.0%	42.0%	2.0%	0.0%	0.0%
	Other	—	—	—	—	3,276	—	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>1,763</b>	<b>1,763</b>	<b>133</b>	<b>692</b>	<b>10,885</b>	<b>18,988</b>	<b>23.6%</b>	<b>5.1%</b>	<b>13.8%</b>	<b>41.9%</b>	<b>15.6%</b>

# Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Stormwater drainage	Pipes/Culverts	62	62	8	—	2,260	4,324	0.9%	97.1%	1.0%	1.0%	0.0%
	Urban Drainage Infrastructure	6	6	3	15	7,618	12,589	15.2%	68.8%	14.9%	1.1%	0.0%
	<b>Sub-total</b>	<b>68</b>	<b>68</b>	<b>11</b>	<b>15</b>	<b>9,878</b>	<b>16,913</b>	<b>11.5%</b>	<b>76.0%</b>	<b>11.3%</b>	<b>1.1%</b>	<b>0.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>3,661</b>	<b>3,661</b>	<b>530</b>	<b>2,901</b>	<b>108,971</b>	<b>171,627</b>	<b>22.4%</b>	<b>43.5%</b>	<b>22.5%</b>	<b>9.6%</b>	<b>2.0%</b>

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

## Infrastructure asset condition assessment 'key'

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>	1,960	77.69%	53.89%	86.14%	>=100.00%
Depreciation, amortisation and impairment	2,523				
Infrastructure backlog ratio <sup>1</sup>					
Estimated cost to bring assets to a satisfactory standard	3,661	3.36%	2.28%	2.69%	<2.00%
Net carrying amount of infrastructure assets	108,971				
Asset maintenance ratio					
Actual asset maintenance	2,901	547.36%	406.34%	127.20%	>100.00%
Required asset maintenance	530				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	3,661	2.13%	1.43%	1.69%	
Gross replacement cost	171,627				

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

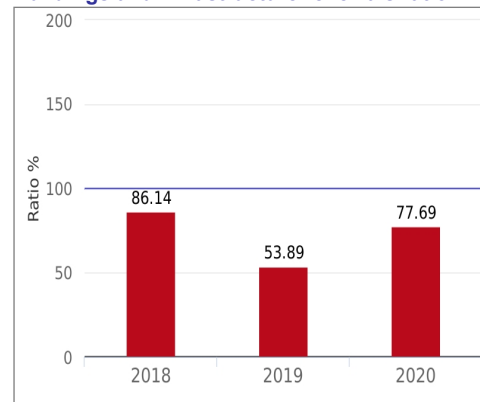
(1) Excludes Work In Progress (WIP)

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

# Report on Infrastructure Assets (continued)

as at 30 June 2020

## Buildings and infrastructure renewals ratio



### Buildings and infrastructure renewals ratio

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

### Commentary on result

19/20 ratio 77.69%

Impacted by significant increase in capital Work in Progress, mainly due to the upgrade of the Sewer Treatment Plant works which will be completed during the 2020/2021 financial year.

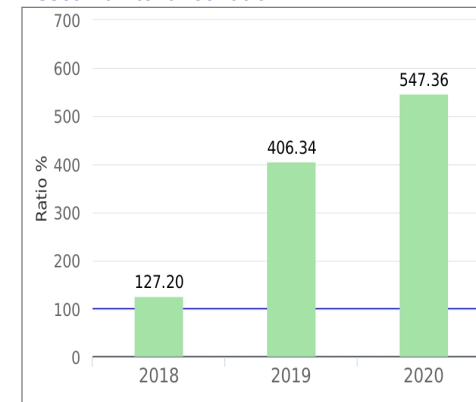
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

## Asset maintenance ratio



### Asset maintenance ratio

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

### Commentary on result

19/20 ratio 547.36%

Increased focus on maintenance.

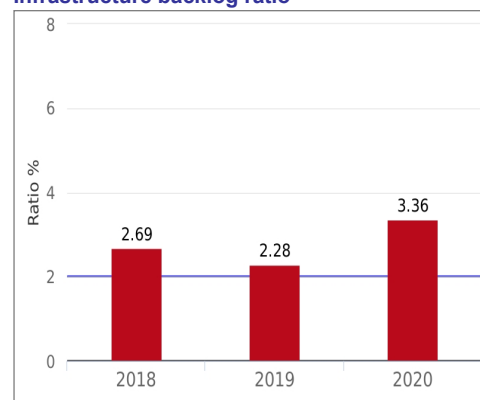
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

## Infrastructure backlog ratio



### Infrastructure backlog ratio

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

### Commentary on result

19/20 ratio 3.36%

Continuing improvement in reducing the backlog.

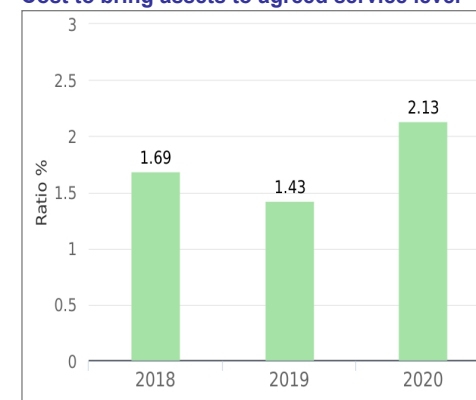
Benchmark: —  $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

## Cost to bring assets to agreed service level



### Cost to bring assets to agreed service level

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

### Commentary on result

19/20 ratio 2.13%

A positive indicator for Council for the 2019/2020 financial year.

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

\$ '000	General fund		Sewer fund		Benchmark
	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)					
Buildings and infrastructure renewals ratio <sup>1</sup>					
Asset renewals <sup>2</sup>	84.01%	58.05%	0.00%	9.66%	>=100.00%
Depreciation, amortisation and impairment					
Infrastructure backlog ratio <sup>1</sup>					
Estimated cost to bring assets to a satisfactory standard	1.94%	1.51%	16.20%	9.23%	<2.00%
Net carrying amount of infrastructure assets					
Asset maintenance ratio					
Actual asset maintenance	556.42%	485.82%	520.30%	167.91%	>100.00%
Required asset maintenance					
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	1.24%	0.99%	9.28%	4.07%	
Gross replacement cost					

(1) Excludes Work In Progress (WIP)

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