

FEDERATION COUNCIL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020



Federation 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

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

100 Edward Street
COROWA NSW 2646

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.federationcouncil.nsw.gov.au.

Federation Council

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Federation Council

Financial Statements 2020

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 October, 2020



Patrick Bourke
Mayor
29 October, 2020



Shaun Whitechurch
Councillor
29 October, 2020



Adrian Butler
General Manager
29 October, 2020



Shane Norman
Responsible Accounting Officer
29 October, 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
14,484	Rates and annual charges	3a	14,669	14,062
8,525	User charges and fees	3b	8,299	9,703
403	Other revenues	3c	518	779
11,428	Grants and contributions provided for operating purposes	3d,3e	16,372	16,838
12,150	Grants and contributions provided for capital purposes	3d,3e	8,753	5,917
782	Interest and investment income	4	603	1,132
47,772	Total income from continuing operations		49,214	48,431
Expenses from continuing operations				
12,488	Employee benefits and on-costs	5a	14,287	13,029
314	Borrowing costs	5b	271	277
9,160	Materials and contracts	5c	15,445	10,625
10,565	Depreciation and amortisation	5d	11,067	10,354
3,299	Other expenses	5e	3,578	3,838
(132)	Net losses from the disposal of assets	6	5,494	3,658
–	Revaluation decrement / impairment of IPP&E	5d	–	6,392
35,694	Total expenses from continuing operations		50,142	48,173
12,078	Operating result from continuing operations		(928)	258
12,078	Net operating result for the year		(928)	258
12,078	Net operating result attributable to council		(928)	258
(72)	Net operating result for the year before grants and contributions provided for capital purposes		(9,681)	(5,659)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		(928)	258
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11(a)	56,314	(3,013)
Total items which will not be reclassified subsequently to the operating result		56,314	(3,013)
Total other comprehensive income for the year		56,314	(3,013)
Total comprehensive income for the year		55,386	(2,755)
Total comprehensive income attributable to Council		55,386	(2,755)

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	Restated 2019	Restated 1 July 2018
ASSETS				
Current assets				
Cash and cash equivalents	7(a)	15,587	23,120	3,651
Investments	7(b)	13,904	15,526	40,203
Receivables	8	8,763	7,419	7,874
Inventories	9a	3,290	1,835	1,357
Other	9b	132	171	93
Current assets classified as 'held for sale'	10	–	19	–
Total current assets		41,676	48,090	53,178
Non-current assets				
Receivables	8	60	60	60
Inventories	9	44	234	234
Infrastructure, property, plant and equipment	11(a)	589,259	524,252	523,178
Intangible Assets	12	293	351	317
Total non-current assets		589,656	524,897	523,789
Total assets		631,332	572,987	576,967
LIABILITIES				
Current liabilities				
Payables	13	5,647	5,563	6,829
Borrowings	13	368	108	102
Provisions	14	2,959	2,994	2,869
Total current liabilities		8,974	8,665	9,800
Non-current liabilities				
Borrowings	13	6,092	3,760	3,867
Provisions	14	1,140	822	805
Total non-current liabilities		7,232	4,582	4,672
Total liabilities		16,206	13,247	14,472
Net assets		615,126	559,740	562,495
EQUITY				
Accumulated surplus	15	506,427	507,355	507,097
Revaluation reserves	15	108,699	52,385	55,398
Council equity interest		615,126	559,740	562,495
Total equity		615,126	559,740	562,495

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		507,355	52,385	559,740	496,130	55,398	551,528
Correction of prior period errors	15b	–	–	–	10,967	–	10,967
Restated opening balance		507,355	52,385	559,740	507,097	55,398	562,495
Net operating result for the year		(928)	–	(928)	258	–	258
Net operating result for the period		(928)	–	(928)	258	–	258
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	11(a)	–	56,314	56,314	–	(3,013)	(3,013)
Other comprehensive income		–	56,314	56,314	–	(3,013)	(3,013)
Total comprehensive income		(928)	56,314	55,386	258	(3,013)	(2,755)
Equity – balance at end of the reporting period		506,427	108,699	615,126	507,355	52,385	559,740

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
14,484	Rates and annual charges		14,888	14,338
8,525	User charges and fees		8,501	9,599
782	Investment and interest revenue received		681	1,190
23,765	Grants and contributions		23,555	22,836
–	Bonds, deposits and retention amounts received		–	221
404	Other		284	967
Payments:				
(12,488)	Employee benefits and on-costs		(13,934)	(12,743)
(9,160)	Materials and contracts		(15,671)	(12,706)
(314)	Borrowing costs		(271)	(277)
–	Bonds, deposits and retention amounts refunded		(7)	–
(3,299)	Other		(3,540)	(3,908)
22,699	Net cash provided (or used in) operating activities	16b	14,486	19,517
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		17,749	27,190
132	Sale of real estate assets		1,647	146
1,760	Sale of infrastructure, property, plant and equipment		710	681
–	Deferred debtors receipts		10	10
Payments:				
–	Purchase of investment securities		(15,341)	(2,513)
(38,532)	Purchase of infrastructure, property, plant and equipment		(29,381)	(25,363)
–	Purchase of intangible assets		(5)	(98)
(36,640)	Net cash provided (or used in) investing activities		(24,611)	53
Cash flows from financing activities				
Receipts:				
1,300	Proceeds from borrowings and advances		2,700	–
Payments:				
(215)	Repayment of borrowings and advances		(108)	(101)
1,085	Net cash flow provided (used in) financing activities		2,592	(101)
(12,856)	Net increase/(decrease) in cash and cash equivalents		(7,533)	19,469
36,530	Plus: cash and cash equivalents – beginning of year	16	23,120	3,651
23,674	Cash and cash equivalents – end of the year	16a	15,587	23,120
–	plus: Investments on hand – end of year	7(b)	13,904	15,526
23,674	Total cash, cash equivalents and investments		29,491	38,646

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

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

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 11
- (ii) estimated tip remediation provisions – refer Note 14
- (iii) 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 Impacts

Covid19 has caused a disruption to Council's business practices with a number of staff working remotely from home or at other council facilities away from the main administration building. Whilst this has caused some inconvenience it has not resulted in significant additional cost. Some costs have been incurred for additional equipment, hire of each vehicles for outdoor staff to safely commute to work sites and staff salaries for employees required to isolate.

Rate collections are marginally less than the previous year. Other receivables have not been impacted.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

(c) Monies and other assets received by Council

(i) 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.

The Consolidated Fund has been included in the financial statements of the Council.

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

- General purpose operations
- Water service
- Sewerage service

(ii) 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.

(d) 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.

(e) New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

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

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

- AASB 1058 Income of Not-for-profit entities

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
\$ '000										Restated
Functions or activities										
Built Federation	28,803	23,700	35,814	33,972	(7,011)	(10,272)	10,868	4,574	585,923	521,293
Economic Federation	3,533	2,593	5,243	6,188	(1,710)	(3,595)	3,498	2,568	5,050	3,353
Natural Federation	125	153	400	547	(275)	(394)	73	114	7	9
Social Federation	563	363	1,274	1,105	(711)	(742)	505	312	–	–
Well-Governed Federation	15,785	15,401	2,460	3,688	13,325	11,713	7,227	6,972	40,352	48,332
Amalgamation	405	6,221	4,951	2,673	(4,546)	3,548	224	5,590	–	–
Total functions and activities	49,214	48,431	50,142	48,173	(928)	258	22,395	20,130	631,332	572,987

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:

Built Federation

Council aim to maintain and improve infrastructure that meets the needs of residents and industry by providing the following services:

- Asset inspection - road, stormwater and sewer
- Road management - construction, maintenance and renewal
- Storm water - construction, maintenance and renewal
- Water and sewerage reticulation - construction, maintenance and renewal
- Development assessment
- Building control and planning
- Environmental health
- Building inspections
- Strategic land use planning
- Development contributions planning
- Swimming pool management
- Traffic and parking services
- Fleet management and maintenance
- Waste management

Economic Federation

Growing, progressive and prosperous communities that build on sustainable manufacturing, agriculture and tourism, close proximity to other centres, on both sides of the Murray River and affordability by providing the following services:

- Visitor Information Centre
- Marketing and promotion
- Economic development
- Events and events sponsorship
- Business support
- Product development and grant applications
- Training facilitation and promotion
- Saleyard management and maintenance

Natural Federation

Sustainable rural landscapes and waterways offering tranquillity and attractive recreational spaces by providing the following services:

- Animal compliance
- Local laws
- Street cleaning
- Waste collection
- Weed management
- Pest control
- Roadside vegetation management
- Community facilities management
- Tree management
- Caravan park management
- Park reserve management
- Emergency management

Social Federation

Close-knit and welcoming communities where people come together and support each other by providing the following services:

- Library services
- Community/ civic events
- Art space
- Community facilities
- Cultural services
- Community support

Notes to the Financial Statements

for the year ended 30 June 2020

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

Youth services
Disability services
Volunteer services
Ageing well services
Community grants
Road safety

Well-Governed Federation

Strong civic leadership and governance supporting equity across communities and effective communication with residents by providing the following services:

Financial management
IT support hardware software and systems
Records management
Geographic information system
Lease management
Customer service
Policy development
Internal and external audits
Risk and compliance
Workforce management
Performance reporting
Council and committee support
GIPA (Access to Information)
Asset management

Amalgamation

Federation Council was proclaimed on 12 May 2016, following the amalgamation of the former Corowa Shire and Urana Shire Councils. With the union, the new Council received funding for the community and itself to help with the integration.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	3,699	3,569
Farmland	1058 (1)	3,536	3,457
Business	1058 (1)	619	600
Less: pensioner rebates (mandatory)	1058 (1)	(244)	(250)
Rates levied to ratepayers		7,610	7,376
Pensioner rate subsidies received	1058 (1)	136	145
Total ordinary rates		7,746	7,521
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	1,950	1,851
Water supply services	1058 (1)	755	727
Sewerage services	1058 (1)	4,011	3,868
Environmental	1058 (1)	21	–
Waste levy	1058 (1)	359	355
Less: pensioner rebates (mandatory)	1058 (1)	(390)	(468)
Annual charges levied		6,706	6,333
Pensioner subsidies received:			
– Water	1058 (1)	67	65
– Sewerage	1058 (1)	69	68
– Domestic waste management	1058 (1)	81	75
Total annual charges		6,923	6,541
TOTAL RATES AND ANNUAL CHARGES		14,669	14,062

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

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

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

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (1)	3,568	3,927
Sewerage services	15 (1)	607	656
Waste management services (non-domestic)	15 (1)	233	205
Other	15 (1)	5	4
Non potable water	15 (1)	27	34
Total specific user charges		4,440	4,826
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	15 (1)	199	162
Inspection services	15 (1)	8	12
Planning and building regulation	15 (1)	216	175
Private works – section 67	15 (1)	88	208
Regulatory/ statutory fees	15 (1)	4	13
Registration fees	15 (1)	10	20
Section 10.7 certificates (EP&A Act)	15 (1)	33	40
Section 603 certificates	15 (1)	57	43
Tapping fees	15 (1)	44	48
Other	15 (1)	–	1
Sewer/drainage diagrams fee	15 (1)	28	33
Water meter readings fee	15 (1)	1	1
Total fees and charges – statutory/regulatory		688	756
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (1)	23	120
Caravan park	15 (1)	330	890
Cemeteries	15 (1)	148	131
Child care	15 (1)	2	3
Community centres	15 (1)	31	40
Leaseback fees – Council vehicles	15 (1)	158	94
Transport for NSW (state roads not controlled by Council)	1058 (1)	967	1,087
Saleyards	15 (1)	1,055	1,254
Swimming centres	15 (1)	6	7
Tourism	15 (1)	51	77
Waste disposal tipping fees	15 (1)	140	160
Rent and hire of non-investment property	15 (1)	228	233
Other	15 (1)	32	25
Total fees and charges – other		3,171	4,121
TOTAL USER CHARGES AND FEES		8,299	9,703

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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
(c) Other revenues			
Rental income – other council properties (2019 only)		–	37
Legal fees recovery – rates and charges (extra charges)	1058 (1)	51	49
Commissions and agency fees	15 (1)	169	192
Diesel rebate	1058 (1)	95	108
Insurance claims recoveries	1058 (1)	11	23
Sales – general	15 (1)	2	12
Workers compensation incentive rebate	15 (1)	66	103
Other	1058 (1)	98	28
Sales of Water	15 (1)	26	227
<u>TOTAL OTHER REVENUE</u>		<u>518</u>	<u>779</u>

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	2,386	2,274	–	–
Financial assistance – local roads component	1058 (1)	1,119	1,110	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	2,502	2,357	–	–
Financial assistance – local roads component	1058 (1)	1,213	1,153	–	–
Total general purpose		7,220	6,894	–	–
Specific purpose					
Bushfire and emergency services	1058 (1)	253	193	98	73
Economic development	1058 (1)	2,562	10	936	2,558
Employment and training programs	1058 (1)	6	5	–	–
Heritage and cultural	1058 (1)	14	14	–	–
Library	1058 (1)	98	62	–	–
Noxious weeds	1058 (1)	73	114	–	–
Recreation and culture	1058 (1)	–	–	244	255
Storm/flood damage	1058 (1)	–	–	229	120
Street lighting	1058 (1)	46	45	–	–
Transport (roads to recovery)	1058 (1)	2,085	1,569	–	–
Transport (other roads and bridges funding)	1058 (1)	–	–	3,974	911
Preschools	1058 (1)	398	223	–	–
Merger	1058 (1)	–	272	–	–
Community Projects	1058 (1)	480	5,318	2,266	1,372
Property Management	1058 (1)	–	74	–	–
Communities Services	1058 (1)	–	2	–	–
Waste	1058 (1)	–	22	–	–
Drought	1058 (1)	1,400	–	–	–
Other	1058 (1)	13	24	–	–
Total specific purpose		7,428	7,947	7,747	5,289
Total grants		14,648	14,841	7,747	5,289
Grant revenue is attributable to:					
– Commonwealth funding		8,572	7,384	936	911
– State funding		6,072	6,378	6,811	4,378
– Other funding		4	1,079	–	–
		14,648	14,841	7,747	5,289

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	26	45
S 64 – water supply contributions		1058 (1)	–	–	24	11
S 64 – sewerage service contributions		1058 (1)	–	–	49	36
Total developer contributions – cash			–	–	99	92
Total developer contributions	24		–	–	99	92
Other contributions:						
Cash contributions						
Bushfire services		1058 (1)	–	15	–	–
Business development		1058 (1)	–	11	–	–
Community services		1058 (1)	19	–	–	–
Dedications – subdivisions (other than by s7.11)		1058 (1)	–	–	–	318
Drainage		1058 (1)	–	125	–	–
Other councils – joint works/services		1058 (1)	–	97	–	–
Recreation and culture		1058 (1)	1	6	340	208
Roads and bridges		1058 (1)	–	25	–	–
RMS contributions (regional roads, block grant)		1058 (1)	1,699	1,665	–	–
Other		1058 (1)	5	41	–	–
Regional Councils (RAMROC) contribution			–	12	–	–
Total other contributions – cash			1,724	1,997	340	526
Non-cash contributions						
Dedications		1058 (1)	–	–	6	–
Recreation and culture		1058 (1)	–	–	–	10
Roads and bridges		1058 (1)	–	–	465	–
Sewerage (excl. section 64 contributions)		1058 (1)	–	–	96	–
Total other contributions – non-cash			–	–	567	10
Total other contributions			1,724	1,997	907	536
Total contributions			1,724	1,997	1,006	628
TOTAL GRANTS AND CONTRIBUTIONS			16,372	16,838	8,753	5,917

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

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

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

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

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

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(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	–	3,378
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(3,378)
Less: operating grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (operating grants)	–	–
Capital grants		
Unexpended at the close of the previous reporting period	12,546	12,267
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	6,467
Less: capital grants recognised in a previous reporting period now spent (2019 only)	(8,563)	(6,188)
Less: capital grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (capital grants)	3,983	12,546
Contributions		
Unexpended at the close of the previous reporting period	–	1,444
Add: contributions recognised as income in the current period but not yet spent	–	–
Less: contributions recognised in a previous reporting period now spent	–	(1,444)
Unexpended and held as externally restricted assets (contributions)	–	–

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	109	141
– Cash and investments	472	974
– Other	22	17
Total Interest and investment income	603	1,132
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	34	44
General Council cash and investments	358	600
Restricted investments/funds – external:		
Water fund operations	118	284
Sewerage fund operations	93	204
Total interest and investment revenue	603	1,132

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income (continued)

Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	12,008	10,265
Travel expenses	59	97
Employee leave entitlements (ELE)	2,435	2,361
Superannuation – defined contribution plans	1,110	1,051
Superannuation – defined benefit plans	203	229
Workers' compensation insurance	435	402
Fringe benefit tax (FBT)	51	42
Training costs (other than salaries and wages)	196	227
Other	73	95
Total employee costs	16,570	14,769
Less: capitalised costs	(2,283)	(1,740)
TOTAL EMPLOYEE COSTS EXPENSED	14,287	13,029
Number of 'full-time equivalent' employees (FTE) at year end	177	180

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 18 for more information.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on leases	–	–
Interest on loans	271	277
Total interest bearing liability costs	271	277
Total interest bearing liability costs expensed	271	277
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>271</u>	<u>277</u>

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	39,878	32,064
Contractor and consultancy costs	21	13
Auditors remuneration	92	80
Legal expenses:		
– Legal expenses: planning and development	22	6
– Legal expenses: debt recovery	32	62
– Legal expenses: other	86	136
Other	20	19
Total materials and contracts	40,151	32,380
Less: capitalised costs	(24,706)	(21,755)
TOTAL MATERIALS AND CONTRACTS	15,445	10,625

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.

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	73	62
Remuneration for audit and other assurance services	73	62

Total Auditor-General remuneration

	73	62
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Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

Audit of regulatory returns	19	18
Remuneration for audit and other assurance services	19	18

Total remuneration of non NSW Auditor-General audit firms

	19	18
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Total Auditor remuneration

	92	80
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,569	1,024
Office equipment		128	148
Furniture and fittings		21	21
Land improvements (depreciable)		80	105
Infrastructure:	11(a)		
– Buildings – non-specialised		612	607
– Buildings – specialised		1,727	1,695
– Other structures		21	20
– Roads		3,567	3,504
– Bridges		237	237
– Footpaths		162	155
– Stormwater drainage		606	588
– Water supply network		999	941
– Sewerage network		1,085	1,055
– Swimming pools		117	128
– Other open space/recreational assets		68	55
Right of use assets		–	–
Reinstatement, rehabilitation and restoration assets:			
– Quarry assets	14,11(a)	5	7
Intangible assets	12	63	64
Total gross depreciation and amortisation costs		11,067	10,354
Total depreciation and amortisation costs		11,067	10,354
Impairment / revaluation decrement of IPP&E			
Office equipment		–	1
Property, plant and equipment – leased		–	4
Land improvements (depreciable)		–	68
Infrastructure:	11(a)		
– Buildings – non-specialised		–	21
– Other structures		–	114
– Footpaths		–	1,223
– Stormwater drainage		–	3,709
– Water supply network		–	1,252
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		–	6,392
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	6,392
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		11,067	16,746

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 11 for IPPE assets and Note 12 for intangible assets.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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

Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	134	210
Bank charges	86	82
Computer software charges	412	432
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	405	328
Councillor expenses – mayoral fee	26	35
Councillor expenses – councillors' fees	109	106
Councillors' expenses (incl. mayor) – other (excluding fees above)	–	1
Donations, contributions and assistance to other organisations (Section 356)	36	29
Electricity and heating	730	765
Fire control expenses	269	267
Insurance	527	506
Office expenses (including computer expenses)	47	179
Postage	51	53
Printing and stationery	56	88
Street lighting	232	296
Subscriptions and publications	116	142
Telephone and communications	82	115
Tourism expenses (excluding employee costs)	148	119
Valuation fees	59	58
Other	53	27
Total other expenses	3,578	3,838
<u>TOTAL OTHER EXPENSES</u>	<u>3,578</u>	<u>3,838</u>

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		–	176
Less: carrying amount of property assets sold/written off		–	(18)
Net gain/(loss) on disposal		–	158
Plant and equipment			
	11(a)		
Proceeds from disposal – plant and equipment		691	505
Less: carrying amount of plant and equipment assets sold/written off		(728)	(458)
Net gain/(loss) on disposal		(37)	47
Infrastructure			
	11(a)		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(7,191)	(3,913)
Net gain/(loss) on disposal		(7,191)	(3,913)
Real estate assets held for sale			
	9		
Proceeds from disposal – real estate assets		1,647	146
Less: carrying amount of real estate assets sold/written off		(699)	(96)
Net gain/(loss) on disposal		948	50
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		17,749	27,190
Less: carrying amount of investments sold/redeemed/matured		(16,963)	(27,190)
Net gain/(loss) on disposal		786	–
Non-current assets classified as ‘held for sale’			
	10		
Proceeds from disposal – non-current assets ‘held for sale’		19	–
Less: carrying amount of ‘held for sale’ assets sold/written off		(19)	–
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(5,494)	(3,658)

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
Cash and cash equivalents		
Cash on hand and at bank	1,162	392
Cash-equivalent assets		
– Deposits at call	2,024	4,407
– Short-term deposits	12,401	18,321
Total cash and cash equivalents	15,587	23,120

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
'Financial assets at amortised cost' / 'held to maturity'	13,904	–	15,526	–
Total Investments	13,904	–	15,526	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	29,491	–	38,646	–
Financial assets at held to maturity				
Long term deposits	13,904	–	15,526	–
Total	13,904	–	15,526	–

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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

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

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

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	29,491	–	38,646	–
attributable to:				
External restrictions	21,045	–	28,609	–
Internal restrictions	6,521	–	9,539	–
Unrestricted	1,925	–	498	–
	29,491	–	38,646	–

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Details of restrictions		
External restrictions – other		
Developer contributions – general	615	624
Developer contributions – water fund	299	275
Developer contributions – sewer fund	425	375
Specific purpose unexpended grants (recognised as revenue) – general fund	3,983	12,546
Water supplies	8,445	8,623
Sewerage services	7,216	5,828
Yuluma-Cullivel Bus Committee	–	267
Domestic waste management	62	71
External restrictions – other	21,045	28,609
Total external restrictions	21,045	28,609
Internal restrictions		
Plant and vehicle replacement	–	784
Employees leave entitlement	1,915	1,915
Carry over works	1,307	1,525
Buildings / office equipment	–	288
Rand hall committee – toilet block	–	26
Gravel pits restoration	910	1,000
Waste depot restoration	–	300
Urana aquatic centre – upgrade	137	137
Cemetery	35	35
Corowa swimming pool	1,934	1,934
Saleyard	–	200
Economic development	–	75
Insurance	–	300
Howlong town improvement	–	179
Bangerang Park – Rivalea	–	25
Medical services upgrade Urana	28	28
ICT/UPS installation reserve	–	100
Bridge infrastructure reserve	–	100
Preschool building asbestos removal	30	30
Billabidgee aged care units	89	99
Victoria park – balance budget	8	8
Road infrastructure reserve	–	323
Combined town and recreation s355	100	100
Weir repairs reserve	28	28
Total internal restrictions	6,521	9,539
TOTAL RESTRICTIONS	27,566	38,148

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	769	–	939	–
Interest and extra charges	292	–	241	–
User charges and fees	584	–	645	–
Private works	84	–	225	–
Contributions to works	45	–	50	–
Accrued revenues				
– Interest on investments	24	–	153	–
– Rates and annual charges	2,661	–	2,993	–
Net investment in finance lease	–	–	–	–
Amounts due from other councils	298	–	73	–
Deferred debtors	13	–	23	–
Government grants and subsidies	2,155	–	585	–
Loans to non-profit organisations	–	60	–	60
Net GST receivable	850	–	528	–
RMS works	296	–	262	–
Sundry works	448	–	505	–
Saleyard fees	132	–	130	–
Certificates	11	–	13	–
Leases/Rentals	23	–	–	–
Other debtors	143	–	119	–
Total	8,828	60	7,484	60
Less: provision of impairment				
Rates and annual charges	(61)	–	(61)	–
User charges and fees	(4)	–	(4)	–
Total provision for impairment – receivables	(65)	–	(65)	–
TOTAL NET RECEIVABLES	8,763	60	7,419	60
Externally restricted receivables				
Water supply				
– Rates and availability charges	265	–	236	–
– Other	1,628	–	2,002	–
Sewerage services				
– Rates and availability charges	1,488	–	2,388	–
– Other	343	–	305	–
Total external restrictions	3,724	–	4,931	–
Unrestricted receivables	5,039	60	2,488	60
TOTAL NET RECEIVABLES	8,763	60	7,419	60

\$ '000	2020	2019
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Movement in provision for impairment of receivables

Balance at the beginning of the year (calculated in accordance with AASB 139)	65	65
Balance at the end of the period (in accordance with AASB 9)	65	65

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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.

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	2,141	44	885	234
Stores and materials	1,149	–	950	–
Total inventories at cost	3,290	44	1,835	234
TOTAL INVENTORIES	3,290	44	1,835	234

(b) Other assets

Prepayments	132	–	171	–
TOTAL OTHER ASSETS	132	–	171	–

(i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development					
Residential		–	–	186	–
Industrial/commercial		2,141	44	699	234
Total real estate for resale		2,141	44	885	234

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	–	44	186	234	
Development costs	2,141	–	699	–	
Total costs	2,141	44	885	234	
Total real estate for resale		2,141	44	885	234

Movements:

Real estate assets at beginning of the year		885	234	795	234
– Purchases and other costs		189	(190)	–	–
– Transfers in from (out to) Note 11		1,766	–	186	–
– WDV of sales (expense)	6	(699)	–	(96)	–
Total real estate for resale		2,141	44	885	234

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

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. Non-current assets classified as held for sale

(i) Non-current assets and disposal group assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Non-current assets 'held for sale'				
Land	–	–	19	–
Total non-current assets 'held for sale'	–	–	19	–
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>				
	–	–	19	–

(ii) Details of assets and disposal groups

Two blocks of land sold during August, 2019 in Oaklands.

(iii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations

\$ '000	2020 Assets 'held for sale'	2019 Assets 'held for sale'
Opening balance	19	–
Less: carrying value of assets/operations sold	(19)	–
Balance still unsold after 12 months:	–	–
<u>Plus new transfers in:</u>		
– Assets 'held for sale'	–	19
Closing balance of 'held for sale' non-current assets and operations	–	19

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

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

Note 11(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tftrs from/(to) real estate assets (Note 9)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	10,482	–	10,482	8,930	4,007	–	–	(6,261)	–	(1,766)	–	15,392	–	15,392
Plant and equipment	15,867	(6,791)	9,076	1,771	246	(728)	(1,569)	123	–	–	–	15,912	(6,993)	8,919
Office equipment	817	(194)	623	52	–	–	(128)	–	–	–	–	863	(316)	547
Furniture and fittings	456	(291)	165	–	–	–	(21)	–	–	–	–	456	(312)	144
Land:														
– Operational land	16,447	–	16,447	–	71	–	–	48	(1,772)	–	937	15,731	–	15,731
– Community land	16,761	–	16,761	–	–	–	–	–	1,772	–	2,562	21,095	–	21,095
– Land under roads (post 30/6/08)	100	–	100	–	79	–	–	29	–	–	–	208	–	208
Land improvements – depreciable	3,015	(645)	2,370	–	300	(2)	(80)	226	–	–	–	3,521	(707)	2,814
Infrastructure:														
– Buildings – non-specialised	22,263	(5,042)	17,221	65	158	–	(612)	–	–	–	–	22,468	(5,636)	16,832
– Buildings – specialised	70,408	(32,990)	37,418	562	1,400	(401)	(1,727)	441	–	–	–	71,729	(34,036)	37,693
– Other structures	1,575	(952)	623	–	–	–	(21)	–	–	–	–	1,558	(956)	602
– Roads	237,383	(49,149)	188,234	6,331	1,035	(5,782)	(3,567)	2,644	(550)	–	4,482	302,273	(109,446)	192,827
– Bridges	23,654	(8,782)	14,872	–	–	–	(237)	–	–	–	–	23,654	(9,019)	14,635
– Footpaths	6,763	(1,737)	5,026	–	247	(79)	(162)	416	–	–	–	7,316	(1,868)	5,448
– Bulk earthworks (non-depreciable)	70,409	–	70,409	168	271	–	–	82	–	–	47,234	118,164	–	118,164
– Stormwater drainage	54,685	(13,987)	40,698	–	1,997	(258)	(606)	1,162	550	–	–	58,125	(14,582)	43,543
– Water supply network	67,137	(29,055)	38,082	876	202	(109)	(999)	377	–	–	564	68,720	(29,727)	38,993
– Sewerage network	77,618	(26,200)	51,418	–	239	(5)	(1,085)	427	–	–	535	79,059	(27,530)	51,529
– Swimming pools	5,605	(2,663)	2,942	67	–	(500)	(117)	–	–	–	–	4,623	(2,231)	2,392
– Other open space/recreational assets	1,577	(402)	1,175	–	307	(54)	(68)	286	–	–	–	2,077	(431)	1,646
Reinstatement, rehabilitation and restoration assets (refer Note 17):														
– Quarry assets	343	(233)	110	–	–	–	(5)	–	–	–	–	343	(238)	105
Total Infrastructure, property, plant and equipment	703,365	(179,113)	524,252	18,822	10,559	(7,918)	(11,004)	–	–	(1,766)	56,314	833,287	(244,028)	589,259

(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 11(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 Restated	Accumulated depreciation and impairment	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Other movements (details...)	Tfrs from/(to) 'held for sale' category	Tfrs from/(to) real estate assets (Note 9)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated
Capital work in progress	4,865	–	4,865	8,837	–	–	–	–	–	(3,220)	–	–	–	–	–	–	10,482	–	10,482
Plant and equipment	16,124	(7,272)	8,852	1,745	–	–	(458)	(1,024)	–	–	(34)	–	–	–	(5)	–	15,867	(6,791)	9,076
Office equipment	1,610	(579)	1,031	94	58	–	(9)	(148)	(1)	–	(19)	(86)	–	–	(297)	–	817	(194)	623
Furniture and fittings	449	(268)	181	–	7	–	–	(21)	–	–	–	–	–	–	(2)	–	456	(291)	165
Plant and equipment (under finance lease)	30	(30)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Land:																			
– Operational land	16,620	–	16,620	–	–	–	(21)	–	(4)	–	57	–	(19)	(186)	–	–	16,447	–	16,447
– Community land	16,818	–	16,818	–	–	–	–	–	–	–	(57)	–	–	–	–	–	16,761	–	16,761
– Land under roads (post 30/6/08)	100	–	100	–	–	–	–	–	–	–	–	–	–	–	–	–	100	–	100
Land improvements – depreciable	4,130	(1,842)	2,288	87	241	–	–	(105)	(68)	111	(184)	–	–	–	–	–	3,015	(645)	2,370
Infrastructure:																			
– Buildings – non-specialised	22,524	(5,215)	17,309	30	–	–	–	(607)	(21)	–	(239)	–	–	–	–	749	22,263	(5,042)	17,221
– Buildings – specialised	67,830	(32,494)	35,336	–	1,307	–	(297)	(1,695)	–	207	566	–	–	–	–	1,994	70,408	(32,990)	37,418
– Other structures	1,526	(818)	708	47	–	–	–	(20)	(114)	2	–	–	–	–	–	–	1,575	(952)	623
– Roads	226,435	(45,762)	180,673	9,053	–	117	–	(3,504)	–	1,895	–	–	–	–	–	–	237,383	(49,149)	188,234
– Bridges	23,980	(8,066)	15,914	–	–	–	–	(237)	–	–	–	–	–	–	(805)	–	23,654	(8,782)	14,872
– Footpaths	12,898	(2,998)	9,900	133	–	–	(15)	(155)	(1,223)	–	50	–	–	–	(3,664)	–	6,763	(1,737)	5,026
– Bulk earthworks (non-depreciable)	70,409	–	70,409	–	–	–	–	–	–	–	–	–	–	–	–	–	70,409	–	70,409
– Stormwater drainage	54,078	(9,771)	44,307	751	190	–	(253)	(588)	(3,709)	–	–	–	–	–	–	–	54,685	(13,987)	40,698
– Water supply network	66,117	(24,619)	41,498	1,752	50	–	(1,054)	(941)	(1,252)	751	(207)	–	–	–	(2,515)	–	67,137	(29,055)	38,082
– Sewerage network	77,870	(25,576)	52,294	542	78	–	(2,026)	(1,055)	–	147	5	–	–	–	–	1,433	77,618	(26,200)	51,418
– Swimming pools	5,492	(2,569)	2,923	–	–	–	–	(128)	–	–	27	–	–	–	–	120	5,605	(2,663)	2,942
– Other open space/recreational assets	1,433	(398)	1,035	21	312	–	(259)	(55)	–	107	35	–	–	–	(21)	–	1,577	(402)	1,175
Reinstatement, rehabilitation and restoration assets (refer Note 17):																			
– Quarry assets	343	(226)	117	–	–	–	–	(7)	–	–	–	–	–	–	–	–	343	(233)	110
Total Infrastructure, property, plant and equipment	691,681	(168,503)	523,178	23,092	2,243	117	(4,392)	(10,290)	(6,392)	–	–	(86)	(19)	(186)	(7,309)	4,296	703,365	(179,113)	524,252

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

When infrastructure, property, plant and equipment are acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

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

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

Land under roads

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment (continued)

Crown reserves

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

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

Rural Fire Service assets

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

These Rural Fire Service assets are not recognised as assets of the Council in these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(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 Restated	Accumulated depn. and impairment	Net carrying amount Restated
Water supply						
WIP	263	–	263	284	–	284
Plant and equipment	119	36	83	119	15	104
Office equipment	144	30	114	144	14	130
Land						
– Operational land	2,066	–	2,066	1,971	–	1,971
– Improvements – depreciable	63	2	61	63	1	62
Buildings	2,174	967	1,207	1,937	921	1,016
Infrastructure	68,720	29,727	38,993	67,137	29,055	38,082
Total water supply	73,549	30,762	42,787	71,655	30,006	41,649
Sewerage services						
WIP	628	–	628	24	–	24
Plant and equipment	95	42	53	95	35	60
Office equipment	129	29	100	129	15	114
Land						
– Operational land	1,632	–	1,632	1,081	–	1,081
– Improvements – depreciable	140	2	138	112	–	112
Buildings	1,145	338	807	1,145	315	830
Infrastructure	79,059	27,529	51,530	77,618	26,200	51,418
Total sewerage services	82,828	27,940	54,888	80,204	26,565	53,639
Domestic waste management						
Land						
TOTAL RESTRICTED IPP&E	156,377	58,702	97,675	151,859	56,571	95,288

Note 11(c). Infrastructure, property, plant and equipment – current year impairments

Assets have been assessed for impairment resulting in a reduction of \$6.392m in asset value - refer Note 5(d).

A review of asset data that that was merged from the former Corowa and Urana Shire Councils identified some discrepancy in depreciation methodology and calculation. The financial statements have been prepared with updated asset data which has resulted in a reduction in the value of assets, particularly in the stormwater, water and footpath asset classes. This appears as an asset impairment in the financial statements and accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software		
Opening values at 1 July		
Gross book value	552	408
Accumulated amortisation	(201)	(91)
Net book value – opening balance	351	317
Movements for the year		
– Purchases	5	12
– Transfers from Infrastructure, property, plant and equipment (Note 10)	–	86
– Amortisation charges	(63)	(64)
Closing values at 30 June		
Gross book value	553	552
Accumulated amortisation	(260)	(201)
Total software – net book value	293	351
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>293</u>	<u>351</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	3,546	–	3,573	–
Accrued expenses:				
– Salaries and wages	615	–	546	–
Security bonds, deposits and retentions	787	–	794	–
Prepaid rates	699	–	650	–
Total payables	5,647	–	5,563	–
Borrowings				
Loans – secured ¹	368	6,092	108	3,760
Total borrowings	368	6,092	108	3,760
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>6,015</u>	<u>6,092</u>	<u>5,671</u>	<u>3,760</u>

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	562	–	551	–
Sewer	1,203	2,363	405	2,434
Payables and borrowings relating to externally restricted assets	1,765	2,363	956	2,434
Total payables and borrowings relating to restricted assets	1,765	2,363	956	2,434
Total payables and borrowings relating to unrestricted assets	4,250	3,729	4,715	1,326
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>6,015</u>	<u>6,092</u>	<u>5,671</u>	<u>3,760</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

\$ '000	2020	2019
(b) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ¹	380	380
Credit cards/purchase cards	60	60
Total financing arrangements	440	440
Drawn facilities as at balance date:		
– Credit cards/purchase cards	4	14
Total drawn financing arrangements	4	14
Undrawn facilities as at balance date:		
– Bank overdraft facilities	380	380
– Credit cards/purchase cards	56	46
Total undrawn financing arrangements	436	426

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

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	1,115	–	959	–
Long service leave	1,212	404	1,383	106
Other leave	3	–	2	–
Sub-total – aggregate employee benefits	2,330	404	2,344	106
Asset remediation/restoration:				
Asset remediation/restoration (future works)	432	709	432	709
Sub-total – asset remediation/restoration	432	709	432	709
Other provisions				
Superannuation	127	15	138	4
Workers Compensation	70	12	80	3
Sub-total – other provisions	197	27	218	7
TOTAL PROVISIONS	2,959	1,140	2,994	822

Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2020				
At beginning of year	959	1,489	2	2,450
Additional provisions	1,132	533	–	1,665
Amounts used (payments)	(976)	(406)	–	(1,382)
Other	–	–	1	1
Total ELE provisions at end of year	1,115	1,616	3	2,734
2019				
At beginning of year	1,013	1,304	2	2,319
Additional provisions	774	647	–	1,421
Amounts used (payments)	(828)	(462)	–	(1,290)
Total ELE provisions at end of year	959	1,489	2	2,450

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

\$ '000	Other provisions			Total
	Asset remediation	Super-annuation	Workers Compensation	
2020				
At beginning of year	1,141	142	83	1,366
Total other provisions at end of year	1,141	142	83	1,366
2019				
At beginning of year	1,140	141	74	1,355
Additional provisions	–	1	9	10
Other	1	–	–	1
Total other provisions at end of year	1,141	142	83	1,366

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

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

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

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 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.

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

In a review of Council's Land register and the Crown Land register for Council, Council has brought to account several parcels of Crown Land which have been identified to be under the care and control of Council. This resulted in an increase of \$5,434,000 for Community Land and an increase of \$5,533,000 for Operational Land which is an overall impact of \$10,967,000 on Council's Infrastructure, property, plant and equipment.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Changes to the opening Statement of Financial Position at 1 July 2018**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Infrastructure, property, plant and equipment	512,211	10,967	523,178
Net assets	551,528	10,967	562,495
Accumulated Surplus	496,130	10,967	507,097
Total equity	551,528	10,967	562,495

Adjustments to the comparative figures for the year ended 30 June 2019**Statement of Financial Position**

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Infrastructure, property, plant and equipment	513,285	10,967	524,252
Net assets	548,773	10,967	559,740
Accumulated Surplus	496,388	10,967	507,355
Total equity	548,773	10,967	559,740

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)	15,587	23,120
Balance as per the Statement of Cash Flows		15,587	23,120
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		(928)	258
Adjust for non-cash items:			
Depreciation and amortisation		11,067	10,354
Net losses/(gains) on disposal of assets		5,494	3,658
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		–	6,392
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,354)	445
Decrease/(increase) in inventories		(199)	(388)
Decrease/(increase) in other current assets		39	(78)
Increase/(decrease) in payables		(27)	(1,693)
Increase/(decrease) in other accrued expenses payable		69	155
Increase/(decrease) in other liabilities		42	272
Increase/(decrease) in provision for employee benefits		284	131
Increase/(decrease) in other provisions		(1)	11
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		14,486	19,517

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Commitments

\$ '000	2020	2019
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	6,546	743
Plant and equipment	77	1,765
Roads	345	152
Recreation	1,612	1,035
Industrial Land	453	223
Total commitments	9,033	3,918
These expenditures are payable as follows:		
Within the next year	9,033	3,918
Total payable	9,033	3,918
Sources for funding of capital commitments:		
Unrestricted general funds	2,096	2,134
Future grants and contributions	2,831	331
Externally restricted reserves	2,142	1,404
Internally restricted reserves	1,964	49
Total sources of funding	9,033	3,918

Details of capital commitments

Commitments are for Stronger Community Projects, Stronger Country Communities Project, Plant Purchases & Industrial land Upgrades.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

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

Description of the funding arrangements.

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

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

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2019 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

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 \$185,173.60. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

Council's expected contribution to the plan for the next annual reporting period is \$190,967.52.

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.

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

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

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

* Plus promotional increases

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

(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.

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

(iii) Landfill Rehabilitation

Council is responsible for four landfills that will require rehabilitation in the future.

To date, no provision has been made in relation to the future landfill rehabilitation as the cost of any potential obligations cannot be reliably estimated.

Council is in the process of developing a Waste Strategy to guide the future of waste management and the landfills in the Council area. This strategy will plan for future closures of landfills and rehabilitation needs.

Provision for future landfill rehabilitation costs will be made, when the Waste Strategy has been finalised.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) 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.

(iii) Rural Fire Service

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

These Rural Fire Service assets are not recognised as assets of the Council in these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

(iv) Riverina Regional Library

		Net Profit 2019	Net Assets 2019
Riverina Regional Library	Provision of Services to Member Councils	\$76,120	\$4,552,891
Council's Share		\$6,311	\$377,435

Council holds a share in Riverina Library. This has been assessed as not material and therefore has not been included as part of the primary financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	15,587	23,120	15,587	23,120
Receivables	8,823	7,479	8,823	7,479
Investments				
– 'Financial assets at amortised cost'	13,904	15,526	13,904	15,526
Total financial assets	38,314	46,125	38,314	46,125
Financial liabilities				
Payables	5,647	5,563	4,948	4,913
Loans/advances	6,460	3,868	6,460	3,868
Total financial liabilities	12,107	9,431	11,408	8,781

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether the changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	295	295	(295)	(295)
2019				
Possible impact of a 1% movement in interest rates	394	394	(394)	(394)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. 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
2020						
Gross carrying amount	2	636	47	31	53	769
2019						
Gross carrying amount	–	668	65	77	129	939

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 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	–	6,224	48	432	1,415	8,119
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	4	4
2019						
Gross carrying amount	1	4,853	95	67	1,589	6,605
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	4	4

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

(c) Liquidity risk

Payables 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 and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	787	–	–	–	787	4,948
Loans and advances	4.76%	–	672	2,687	6,136	9,495	6,460
Total financial liabilities		787	672	2,687	6,136	10,282	11,408
2019							
Trade/other payables	0.00%	794	4,119	–	–	4,913	4,913
Loans and advances	7.03%	–	379	1,515	5,051	6,945	3,868
Total financial liabilities		794	4,498	1,515	5,051	11,858	8,781

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 25/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	14,484	14,669	185	1% F
User charges and fees	8,525	8,299	(226)	(3)% U
Other revenues	403	518	115	29% F
Additional miscellaneous income was received throughout the year.				
Operating grants and contributions	11,428	16,372	4,944	43% F
Some Grants in the budget were designated as Capital when in fact they were Operating Grants, also Howlong Industrial Partnership with Private Business Grant was received of \$2,562k.				
Capital grants and contributions	12,150	8,753	(3,397)	(28)% U
Some Grants in the budget were designated as Capital when in fact they were Operating Grants.				
Interest and investment revenue	782	603	(179)	(23)% U
Was down due to lower interest rates available and reduced cash holdings.				
EXPENSES				
Employee benefits and on-costs	12,488	14,287	(1,799)	(14)% U
Changes made at Quarterly was \$902k, overspend on roads was \$230k. Also some work that was budgeted in capital was actually operational work so was moved into operational.				
Borrowing costs	314	271	43	14% F
Loan was taken out later resulting in lower Borrowing costs.				
Materials and contracts	9,160	15,445	(6,285)	(69)% U
Changes made at Quarterly was \$2,025k, overspend on Roads \$160k, and extra expenses for COVID19 \$97k. Drought Grant funding expenses that was budgeted in Capital that should have been Operating was \$737k. Stronger Country Communities Grant Funding expenses that was budgeted in Capital that should have been Operating was \$703k. Howlong Industrial Partnership with Private Business Grant work had expenses of \$2,562k that was budgeted as Capital				
Depreciation and amortisation	10,565	11,067	(502)	(5)% U
Other expenses	3,299	3,578	(279)	(8)% U
Net losses from disposal of assets	(132)	5,494	(5,626)	4,262% U
Revaluation decrement / impairment of IPP&E	-	-	-	∞ F

continued on next page ...

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
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STATEMENT OF CASH FLOWS

Cash flows from operating activities	22,699	14,486	(8,213)	(36)%	U
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Due to the extra expenditure on Employee benefits and on-costs and Materials and contracts, as explained above, is the reason for the variation.

Cash flows from investing activities	(36,640)	(24,611)	12,029	(33)%	F
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The variation is due to a couple of large capital work jobs budgeted for only starting near the end of the financial year. This jobs include the Corowa Swimming Pool, Corowa-Mulwala Rail Trail & Urana Aquatic Centre.

Cash flows from financing activities	1,085	2,592	1,507	139%	F
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Loan for \$2.7M was taken out which was Budgeted in 18/19. Loan of \$1.3M was Budgeted for 19/20 but not taken out.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement

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

– Infrastructure, property, plant and equipment.

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

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

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

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

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

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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	8,919	–	8,919
Office equipment	30/06/18	–	–	547	547
Furniture and fittings	30/06/18	–	–	144	144
Land – operational land	30/06/20	–	15,731	–	15,731
Land – community land	30/06/20	–	–	21,095	21,095
Land – land under roads (post 30/6/08)	30/06/13	–	–	208	208
Land improvements – depreciable	30/06/18	–	–	2,814	2,814
Buildings – non-specialised	30/06/17	–	16,832	–	16,832
Buildings – specialised	30/06/17	–	–	37,693	37,693
Other structures	30/06/18	–	–	602	602
Roads	30/06/20	–	–	192,827	192,827
Bridges	30/06/20	–	–	14,635	14,635
Footpaths	30/06/17	–	–	5,448	5,448
Bulk earthworks (non-depreciable)	30/06/20	–	–	118,164	118,164
Stormwater drainage	30/06/18	–	–	43,543	43,543
Water supply network	30/06/18	–	–	38,993	38,993
Sewerage network	30/06/18	–	–	51,529	51,529
Swimming pools	30/06/18	–	–	2,392	2,392
Other open space/recreational assets	30/06/18	–	–	1,646	1,646
Quarry assets	12/05/11	–	–	105	105
Total infrastructure, property, plant and equipment		–	41,482	532,385	573,867

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	9,076	–	9,076
Office equipment	30/06/18	–	–	623	623
Furniture and fittings	30/06/18	–	–	165	165
Land – operational land	30/06/16	–	16,447	–	16,447
Land – community land	30/06/16	–	–	16,761	16,761
Land – land under roads (post 30/6/08)	30/06/13	–	–	100	100
Land improvements – depreciable	30/06/18	–	–	2,370	2,370
Buildings – non-specialised	30/06/17	–	17,221	–	17,221
Buildings – specialised	30/06/17	–	–	37,418	37,418
Other structures	30/06/18	–	–	623	623
Roads	30/06/17	–	–	188,234	188,234
Bridges	30/06/17	–	–	14,872	14,872
Footpaths	30/06/17	–	–	5,026	5,026
Bulk earthworks (non-depreciable)	30/06/17	–	–	70,409	70,409
Stormwater drainage	30/06/18	–	–	40,698	40,698
Water supply network	30/06/18	–	–	38,082	38,082
Sewerage network	30/06/18	–	–	51,418	51,418
Swimming pools	30/06/18	–	–	2,942	2,942
Other open space/recreational assets	30/06/18	–	–	1,175	1,175
Quarry assets	12/05/11	–	–	110	110
Total infrastructure, property, plant and equipment		–	42,744	471,026	513,770

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

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

During the year there were no transfers between fair value hierarchies for recurring fair value measurements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

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

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

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

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

Plant & Equipment, Office Equipment, Furniture & Fittings and Other Assets

Plant & Equipment, Office Equipment, Furniture & Fittings and Other Assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to their nature.

Examples of assets within these classes are as follows:

- Plant and Equipment
- Office Equipment
- Furniture and Fittings
- Other Assets

There has been no change to the valuation process during the reporting period, other than normal useful life and rate considerations.

Land and Buildings

Operational & Community Land

Operational & Community Land values are based on the Land Values provided by the Valuer-General for 30/6/2016. Where rates were not available for Community land, adjacent land rates were adopted, based on 2016 land values Land Value was based on the valuer's opinion of estimated market value of arm's length transaction between buyer and seller, both willing and knowledgeable parties.

Buildings - Non-Specialised & Specialised

Buildings were externally valued by Scott Fullarton Valuations Pty Ltd for 30/6/2017. Specialised and Non-specialised buildings were both valued by the external valuer.

Buildings were valued at fair value. Fair value is the best estimate of the price reasonably obtained in the market at the date of valuation. No market based evidence (Level 2) could be used as reference. As such, these assets were all classified as having been valued using Level 3 inputs.

There has been no changes to the valuation process during the reporting period.

Other Structures

Balldale water system is classified as Other Structures. The water system is a non portable water supply and the depreciated cost approach has been adopted. The replacement cost was estimated for the asset because no market based evidence (Level 2) could be use as reference, except for the bore that was replaced.

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

Roads, Bridges and Footpaths

Age based depreciated replacement cost method applied for asset valuation Condition based assessment was undertaken where initial installation dates where unknown. Valuations of roads, bridges and footpaths were undertaken in-house based on actual cost and assumptions from Council's Engineering Department.

Bridge and major culverts were extensively revised and unit rates for other assets were reconsidered. Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacts significantly on the final determination of fair value. As such, this asset class was classified as having been valued using Level 3 inputs.

There has been no other changes to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

Stormwater Drainage

Age based depreciated replacement cost method applied for asset valuation.

Unit rates adopted were benchmarked against adjacent Council rates and NSW Reference manual rates.

The carrying value was determined using a linear, age-based valuation method to more closely determine the asset's value.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

As such, this asset class was classified as having been valued using Level 3 inputs.

Water Supply Network

This asset class comprises of water mains and equipment such as reticulations mains, bores and dam/reservoirs.

Age based depreciated replacement cost method applied for asset valuation.

The assets are valued using age-based methodology and indexed using the NSW Reference manual rates.

Replacement cost is determined based on using current equivalent materials and methods.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

As such, this asset class was classified as having been valued using Level 3 inputs.

There has been no other changes to the valuation process during the reporting period.

Sewerage Network

This asset class comprises pump stations, sewerage mains and treatment plants.

Age based depreciated replacement cost method applied for asset valuation. Replacement cost is determined from the NSW Reference Rates Manual.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

As such, this asset class was classified as having been valued using Level 3 inputs.

There has been no changes to the valuation process during the reporting period.

Non-current assets classified as 'held for sale'

Land and Buildings Classified as 'Held for Sale'

Council's non current assets are measured at fair value less costs to sell.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

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

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

\$ '000	Office equipment	Furniture and fittings	Land excluding operational land Restated	Building specialised	Other structures
2019					
Opening balance	1,031	181	19,206	35,336	708
Transfers from/(to) another asset class	(105)	–	(241)	566	–
Purchases (GBV)	152	7	439	1,514	49
Disposals (WDV)	(9)	–	–	(297)	–
Depreciation and impairment	(149)	(21)	(173)	(1,695)	(134)
Revaluation increments to equity	(297)	(2)	–	1,994	–
Closing balance	623	165	19,231	37,418	623

2020					
Opening balance	623	165	19,231	37,418	623
Transfers from/(to) another asset class	–	–	1,772	441	–
Purchases (GBV)	52	–	634	1,962	–
Disposals (WDV)	–	–	(2)	(401)	–
Depreciation and impairment	(128)	(21)	(80)	(1,727)	(21)
Revaluation increments to equity	–	–	2,562	–	–
Closing balance	547	144	24,117	37,693	602

\$ '000	Roads	Bridges	Footpaths	Bulk earthworks	Stormwater drainage
2019					
Opening balance	180,673	15,914	9,900	70,409	44,307
Transfers from/(to) another asset class	–	–	50	–	–
Purchases (GBV)	10,948	–	133	–	941
Disposals (WDV)	–	–	(15)	–	(253)
Depreciation and impairment	(3,504)	(237)	(1,378)	–	(4,297)
Revaluation increments to equity	–	(805)	(3,664)	–	–
Reinstatement costs for impaired assets	117	–	–	–	–
Closing balance	188,234	14,872	5,026	70,409	40,698
2020					
Opening balance	188,234	14,872	5,026	70,409	40,698
Transfers from/(to) another asset class	2,094	–	416	82	1,712
Purchases (GBV)	7,366	–	247	439	1,997
Disposals (WDV)	(5,782)	–	(79)	–	(258)
Depreciation and impairment	(3,567)	(237)	(162)	–	(606)
Revaluation increments to equity	4,482	–	–	47,234	–
Closing balance	192,827	14,635	5,448	118,164	43,543

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

\$ '000	Water supply network	Sewerage network	Swimming pools
2019			
Opening balance	41,498	52,294	2,923
Transfers from/(to) another asset class	(207)	5	27
Purchases (GBV)	2,553	767	–
Disposals (WDV)	(1,054)	(2,026)	–
Depreciation and impairment	(1,098)	(1,055)	(128)
Revaluation increments to equity	(3,610)	1,433	120
Closing balance	38,082	51,418	2,942
2020			
Opening balance	38,082	51,418	2,942
Transfers from/(to) another asset class	377	427	–
Purchases (GBV)	1,078	239	67
Disposals (WDV)	(109)	(5)	(500)
Depreciation and impairment	(999)	(1,085)	(117)
Revaluation increments to equity	564	535	–
Closing balance	38,993	51,529	2,392

\$ '000	Other open space	Quarry assets	Total
2019			
Opening balance	1,035	117	475,532
Transfers from/(to) another asset class	35	–	130
Purchases (GBV)	440	–	17,943
Disposals (WDV)	(259)	–	(3,913)
Depreciation and impairment	(55)	(7)	(13,931)
Revaluation increments to equity	(21)	–	(4,852)
Reinstatement costs for impaired assets	–	–	117
Closing balance	1,175	110	471,026
2020			
Opening balance	1,175	110	471,026
Transfers from/(to) another asset class	286	–	7,607
Purchases (GBV)	307	–	14,388
Disposals (WDV)	(54)	–	(7,190)
Depreciation and impairment	(68)	(5)	(8,823)
Revaluation increments to equity	–	–	55,377
Closing balance	1,646	105	532,385

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

For each FV hierarchy transfer into or out of level 3, please reference and list the details and reasons for the change here.

NB. Transfers in to a level are required to be detailed separately to transfers out.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Office Equipment	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Furniture & Fittings	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Land - excluding operational land	Valued using valuer-based methodology	Value of land is determined by valuer, in between valuation, the value of land will be maintained
Buildings - specialised	Valued using valuer-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Other Structures	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Roads	Valued using condition-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Bridges	Valued using condition-based methodology	Construction of new bridges and repair of existing bridges occurs relatively infrequently, so collecting benchmark information on unit rates, useful life and degradation is difficult
Footpaths	Valued using condition-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Bulk Earthworks (non-depreciable)	Internal valuation	Significant movement in cost for replacement would considerably impact the fair value measurement
Stormwater Drainage	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Water Supply Network	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Sewerage Network	Valued using age-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Swimming Pools	Depreciated historical cost	Replacement cost, remaining useful life and residual value
Other Open Space/Recreational Assets	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Quarry Assets	Internal valuation	Estimated cost

d. The valuation process for level 3 fair value measurements

Council's fair value is done based on the amount for which an asset could be exchange or a liability settled between knowledgeable, willing parties in an arm's length transaction. Council's valuation will be recorded at the depreciated replacement cost (i.e written-down value) using the fair value approach to arrive at the fair value.

The "Replacement Cost" method will typically be used as this is the most common method for non-commercial Council infrastructure assets where a market value is not available to determine the value of the asset.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

Determination of the replacement cost at times will require componentisation to allow for different useful lives, unit rates and consumption to be considered, so that a reasonable value can be determined for the total and fair value of the asset.

An assets can be determined based on the assets condition, expected remaining life and unit costs to arrive at the current fair value of the asset. Asset services undertake the valuation exercise in consultation with the Engineering department. There are instances that external in the valuation process.

Asset revaluations will cycles occur at a maximum of every 5 years. During the annual valuation cycle the unit rates will be adjusted, where required, to limit materiality issues. Where a material financial difference in the asset classes value is likely to be greater than 10%, then a review and adjustment of the unit rates will be required.

Indications of changes in value will be first considered with relevant Building Price Index changes (BPI) changes.

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	982	895
Post-employment benefits	82	73
Other long-term benefits	84	38
Termination benefits	–	157
Total	1,148	1,163

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Related party disclosures (continued)

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000					
2020					
Civil works	2,765	–	30 days creditor	–	–
Employee expenses relating to family member of KMP	103	–	Council staff award	–	–
Refund of bonds	3	–	7 days creditor	–	–
User fee and charges	6	–	30 days creditor	–	–
2019					
Civil works	3,724	22	30 days creditor	–	–
Employee expenses relating to family member of KMP	57	–	Council staff award	–	–
Refund of bonds	11	–	7 days creditor	–	–
User fee and charges	2	–	30 days creditor	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Events occurring after the reporting date

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 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			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
Drainage	168	2	–	–	–	–	170	–
Roads	206	4	–	–	–	–	210	–
Open space	91	18	–	–	(34)	–	75	–
Community facilities	157	2	–	–	–	–	159	–
S7.11 contributions – under a plan	622	26	–	–	(34)	–	614	–
Total S7.11 and S7.12 revenue under plans	622	26	–	–	(34)	–	614	–
S64 contributions	652	73	–	–	–	–	725	–
Total contributions	1,274	99	–	–	(34)	–	1,339	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN (former Corowa)

Drainage	168	2	–	–	–	–	170	–
Roads	206	4	–	–	–	–	210	–
Open space	91	18	–	–	(34)	–	75	–
Community facilities	157	2	–	–	–	–	159	–
Total	622	26	–	–	(34)	–	614	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund

\$ '000	Waste 2020	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund				
Income from continuing operations				
Rates and annual charges	1,803	8,354	625	3,887
User charges and fees	–	3,803	3,993	503
Interest and investment revenue	8	316	158	121
Other revenues	1	413	76	28
Grants and contributions provided for operating purposes	81	16,059	67	165
Grants and contributions provided for capital purposes	–	8,680	24	49
Total income from continuing operations	1,893	37,625	4,943	4,753
Expenses from continuing operations				
Employee benefits and on-costs	217	9,587	2,342	2,141
Borrowing costs	–	87	–	184
Materials and contracts	1,723	11,649	995	1,078
Depreciation and amortisation	–	8,854	1,082	1,131
Other expenses	–	2,937	445	196
Net losses from the disposal of assets	–	5,380	109	5
Total expenses from continuing operations	1,940	38,494	4,973	4,735
<u>Operating result from continuing operations</u>	(47)	(869)	(30)	18
<u>Net operating result for the year</u>	(47)	(869)	(30)	18
Net operating result attributable to each council fund	(47)	(869)	(30)	18
Net operating result for the year before grants and contributions provided for capital purposes	(47)	(9,549)	(54)	(31)

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund (continued)

\$ '000	Waste 2020	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund				
ASSETS				
Current assets				
Cash and cash equivalents	62	(860)	8,744	7,641
Investments	–	13,904	–	–
Receivables	121	4,918	1,893	1,831
Inventories	–	3,290	–	–
Other	–	132	–	–
Total current assets	183	21,384	10,637	9,472
Non-current assets				
Receivables	–	60	–	–
Inventories	–	44	–	–
Infrastructure, property, plant and equipment	–	491,583	42,788	54,888
Intangible assets	–	293	–	–
Total non-current assets	–	491,980	42,788	54,888
TOTAL ASSETS	183	513,364	53,425	64,360
LIABILITIES				
Current liabilities				
Payables	–	5,360	287	–
Income received in advance	–	(1,406)	275	1,131
Borrowings	–	296	–	72
Provisions	–	2,959	–	–
Total current liabilities	–	7,209	562	1,203
Non-current liabilities				
Borrowings	–	3,729	–	2,363
Provisions	–	1,140	–	–
Total non-current liabilities	–	4,869	–	2,363
TOTAL LIABILITIES	–	12,078	562	3,566
Net assets	183	501,286	52,863	60,794
EQUITY				
Accumulated surplus	183	407,998	50,748	47,498
Revaluation reserves	–	93,288	2,115	13,296
Council equity interest	183	501,286	52,863	60,794
Total equity	183	501,286	52,863	60,794

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(4,187)	(10.35)%	10.33%	3.85%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	40,461				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	24,089	48.95%	52.29%	59.28%	>60.00%
Total continuing operating revenue ¹	49,214				
3. Unrestricted current ratio					
Current assets less all external restrictions ³	16,907	2.35x	1.89x	1.89x	>1.50x
Current liabilities less specific purpose liabilities ^{4,5}	7,209				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,151	18.87x	39.74x	39.75x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	379				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,000	6.27%	7.32%	9.70%	<10.00%
Rates, annual and extra charges collectible	15,948				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	29,491	10.55 mths	15.60 mths	24.57 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	2,794				

(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates.

(3) Refer Notes 6-8 inclusive. Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

(4) Refer Notes 13 and 14.

(5) Refer Notes 13(b) and 14(b) - excludes all payables and provisions not expected to be paid in the next 12 months, including employee leave entitlements.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(13.67)%	21.78%	1.12%	(15.44)%	(0.55)%	(37.55)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	37.19%	40.78%	98.16%	96.64%	95.50%	94.64%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.35x	1.89x	18.93x	20.21x	7.87x	21.97x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	24.78x	118.37x	∞	∞	6.75x	(1.93)x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.76%	4.47%	24.00%	36.90%	6.54%	11.80%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	4.69	12.17	∞	32.69	∞	22.90	>3.00
Payments from cash flow of operating and financing activities	mths	mths		mths		mths	mths

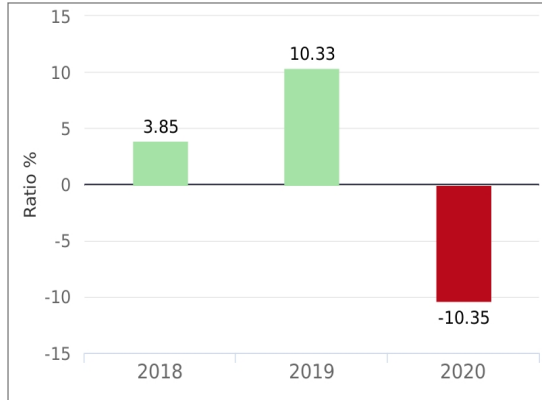
(1) - (2) Refer Note 28a.

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

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

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio (10.35)%

Council had additional operational expenditure with Caravan Parks, Depots and Roads in which reserve funds were used which has caused the negative outcome.

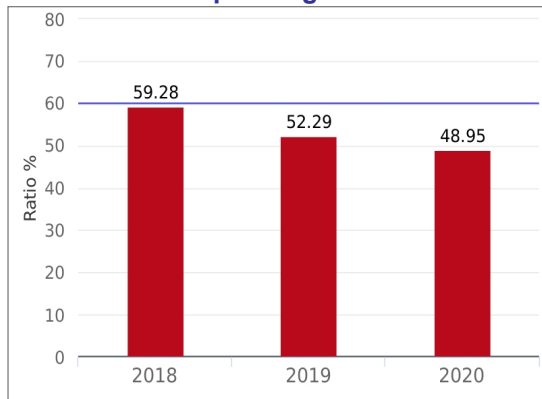
Benchmark: — > 0.00%

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 48.95%

With Council receiving additional grant funding through Stronger Country Communities & Private Business Grant makes it very hard to reach the benchmark.

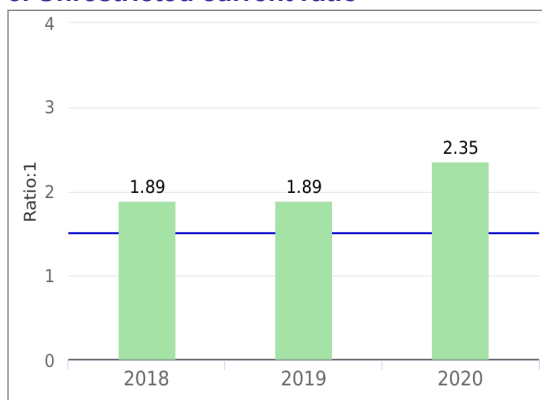
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 2.35x

Council has maintained its performance above the benchmark.

Benchmark: — > 1.50x

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

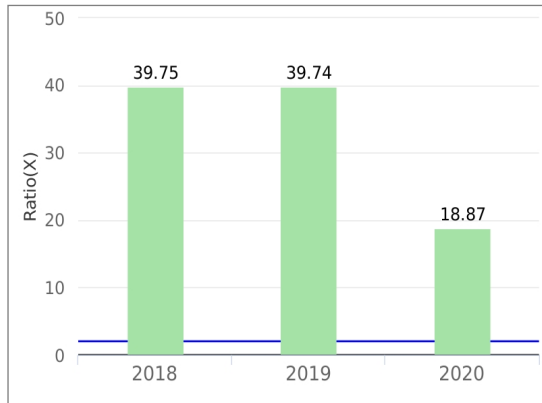
Ratio achieves benchmark

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 18.87x

This ratio has come down due to Council taking out a \$2.7M Loan.

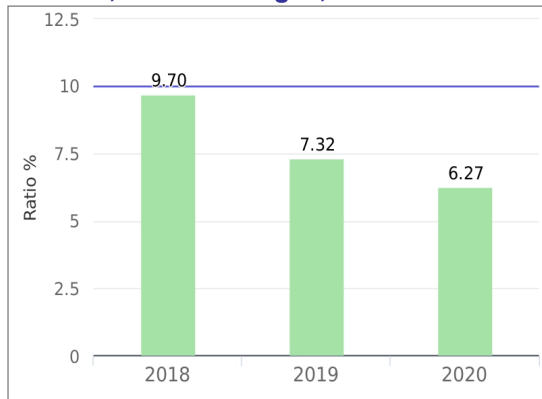
Benchmark: — > 2.00x

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 6.27%

Council has continued to improved this ratio with an improved strategy for the collection of rates and charges.

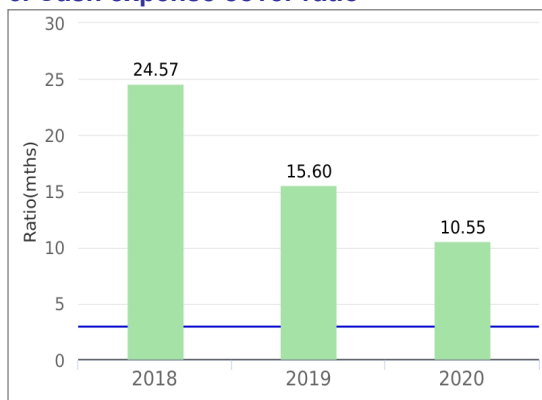
Benchmark: — < 10.00%

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 10.55 mths

Council's cash holdings have greater greater than would normally be the case as a result of received Merger monies back in 2016, these funds have nearly all been spent giving a truer reflect of Council's cash expense ratio.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Council information and contact details

Principal place of business:

100 Edward Street
COROWA NSW 2648

CONTACT DETAILS**Mailing Address:**

PPO Box 77
COROWA NSW 2646

Telephone: (02) 6033 8999

Facsimile: (02) 6033 3317

Opening hours:

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

Internet: www.federationcouncil.nsw.gov.au

Email: council@federationcouncil.nsw.gov.au

Officers**GENERAL MANAGER**

Adrian Butler

RESPONSIBLE ACCOUNTING OFFICER

Shane Norman

PUBLIC OFFICER

Jo Shannon

AUDITORS

Audit Office of NSW
GPO Box 12
SYDNEY NSW 2001

Elected members**MAYOR**

Patrick Bourke

COUNCILLORS

Shaun Whitechurch
Fred Longmire
Gail Law
Paul Miegel
Andrew Kennedy
Bronwyn Thomas
David Longley
Norm Wales

Other information

ABN: 30 762 048 084



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Federation Council

To the Councillors of Federation Council

Opinion

I have audited the accompanying financial statements of Federation 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 Schedule (the Schedule).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



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

16 November 2020
SYDNEY



Cr Patrick Bourke
 Mayor
 Federation Council
 PO Box 77
 COROWA NSW 2646

Contact: Michael Kharzoo
 Phone no: (02) 9275 7188
 Our ref: D2026191/1724

16 November 2020

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	14.7	14.1	↑ 4.3
Grants and contributions revenue	25.1	22.8	↑ 10.1
Operating result from continuing operations	(0.9)	0.3	↓ 400.0
Net operating result before capital grants and contributions	(9.7)	(5.7)	↓ 70.2

The Council’s operating result from continuing operations of $-\$0.9$ million (including depreciation and amortisation expense of $\$11.1$ million) was $\$1.2$ million lower than the 2018–19 result. This was primarily due to an increase in employee benefits and on-costs and depreciation and amortisation expense.

The net operating result before capital grants and contributions ($-\$9.7$ million) was $\$4.0$ million lower than the 2018–19 result. This was primarily due to an increase in employee benefits and on-costs and depreciation and amortisation expense.

Rates and annual charges revenue ($\$14.7$ million) increased by $\$0.6$ million (4.3 per cent) in 2019–20 due to:

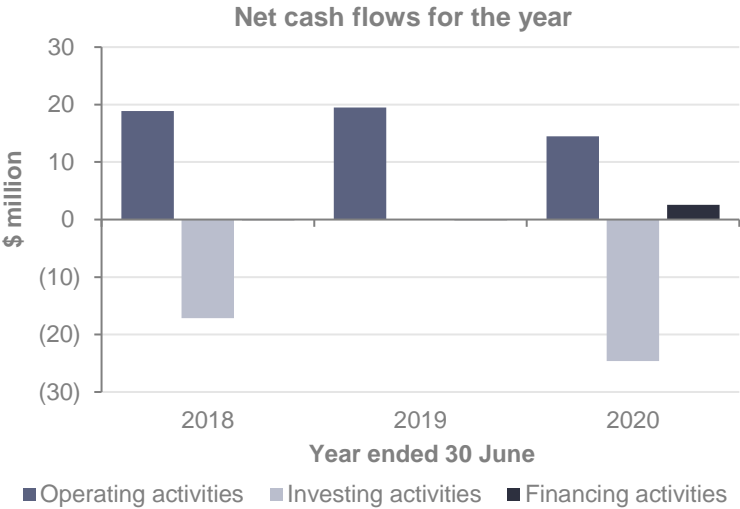
- the IPART rate peg, which increased general rates revenue by 2.7 per cent in 2019-20; and
- A 0.9 per cent increase in the number of assessments issued in 2019-20.

Grants and contributions revenue ($\$25.1$ million) increased by $\$2.3$ million (10.1 per cent) in 2019–20 due to:

- $\$3.7$ million of 2019–20 financial assistance grants received in 2018–19.
- $\$4.0$ million of grants received for roads and bridges projects.
- $\$2.3$ million of grants received for community projects.

STATEMENT OF CASH FLOWS

- Council’s cash and cash equivalents was $\$15.59$ million ($\$23.12$ million for the year ended 30 June 2019). There was a net decrease in cash and cash equivalents of $\$7.53$ million at 30 June 2020.
- Net cash provided by operating activities has decreased by $\$5.03$ million. This is primarily due to increased payments for employee benefits and on-costs and materials and contracts of $\$4.15$ million.
- Net cash used in investing activities has increased by $\$24.56$ million. This is primarily due to decreased net receipts from the sale of investments of $\$22.2$ million and increased payments for infrastructure, property, plant and equipment of $\$4$ million.
- Net cash provided by financing activities has increased by $\$2.69$ million. This is primarily due to proceeds from additional borrowings of $\$2.7$ million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	21.0	28.6	<ul style="list-style-type: none">Externally restricted cash and investments are restricted in their use by externally imposed requirements. The decrease of \$7.6 million is primarily due to a decrease in specific purpose unexpended grants of \$8.6 million, offset by an increase in sewerage service funds of \$1.4 million.
Internal restrictions	6.5	9.5	
Unrestricted	1.9	0.5	
Cash and investments	29.4	38.6	<ul style="list-style-type: none">Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The decrease of \$3.0 million is primarily due to a decrease in the plant and vehicle replacement reserve of \$0.8 million to reduction on the reserve for the waste deposit restoration.Unrestricted cash and investments was \$1.9 million, which is available to provide liquidity for day-to-day operations of the Council.

Debt

Council has \$6.5 million of external borrowings (2019: \$3.9 million) which is secured over the revenue of Council.

Council has a \$0.4 million bank overdraft facility (2019: \$0.4 million) which was undrawn as at 30 June 2020.

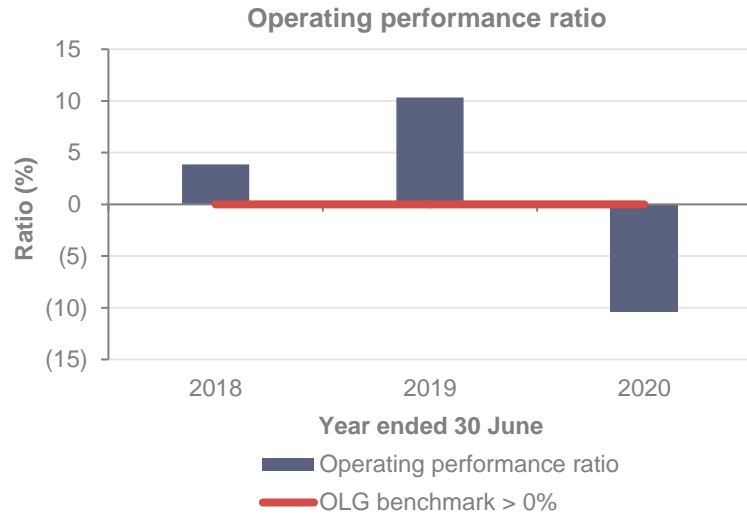
PERFORMANCE

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.

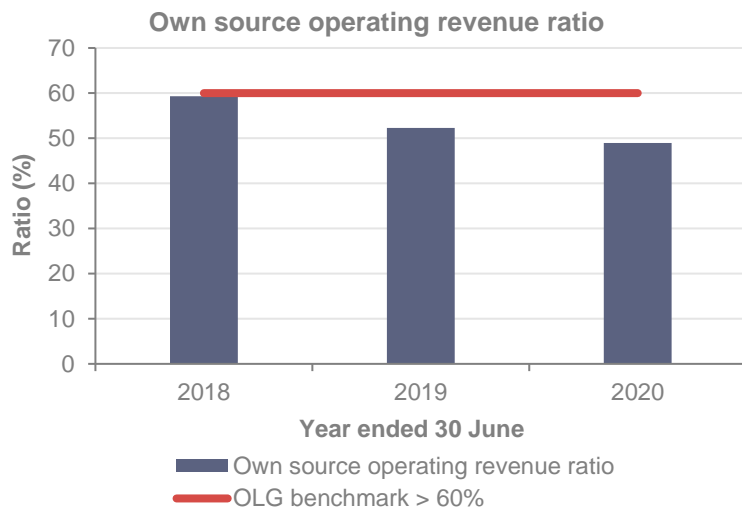
Operating performance ratio

- 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 operating performance ratio of (10.35%) did not meet the OLG benchmark for the current reporting period.
- The operating performance ratio decreased to (10.35%) (2019: 10.33%) primarily due to increased employee benefits and on-costs and materials and contracts expenses.



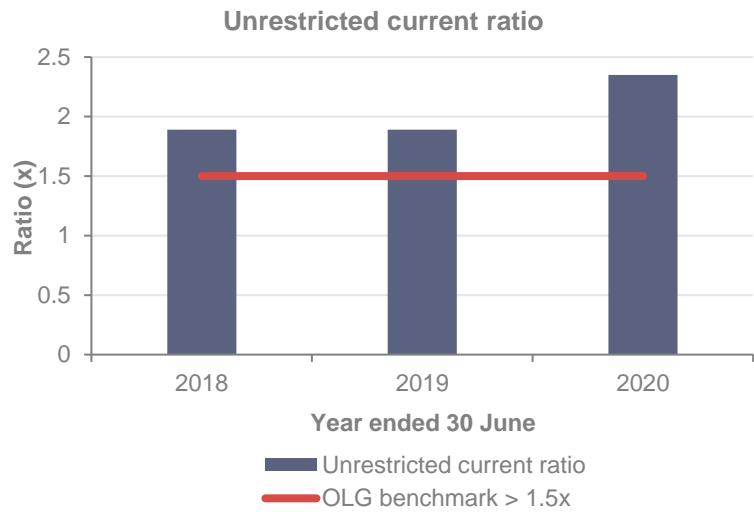
Own source operating revenue ratio

- 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 decreased to 48.95% (2019: 52.29%) primarily due to decreased user charges and fees and interest and investment income.



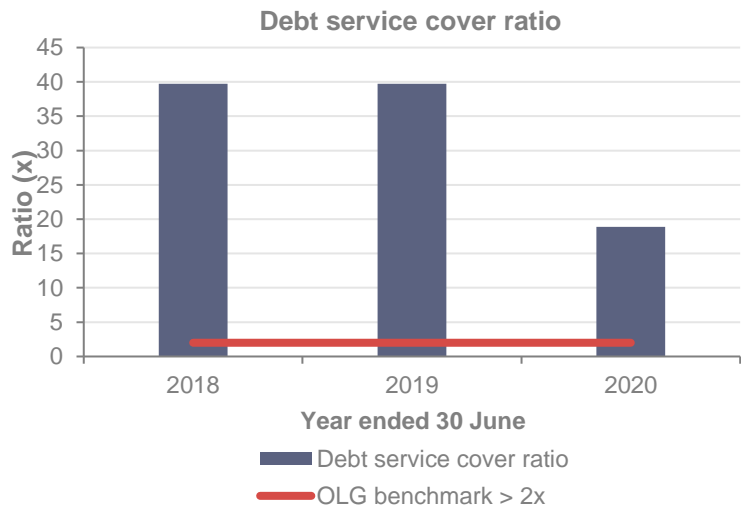
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council exceeded the OLG benchmark for the current reporting period.
- The Council's unrestricted current ratio has improved slightly on the prior year primarily due to decreased specific purpose unexpended grants and plant and vehicle replacement restrictions.



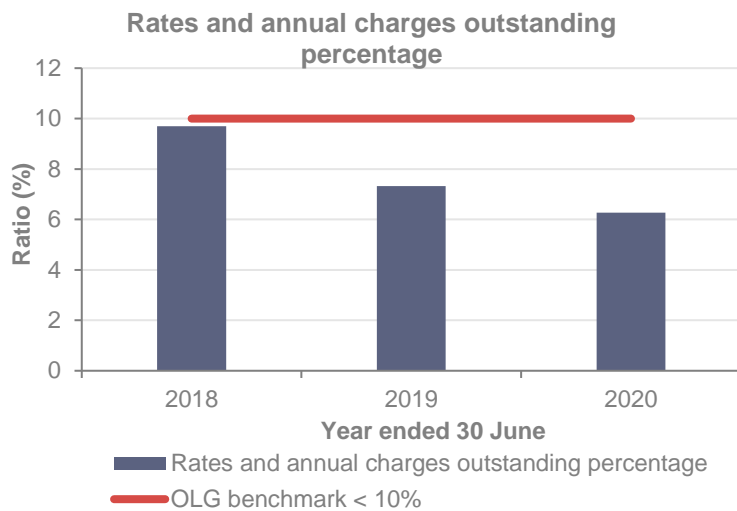
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council exceeded the OLG benchmark for the current reporting period.
- The debt service cover ratio decreased to 18.87 (2019: 39.74) primarily due to new borrowings which were drawn down during the year.



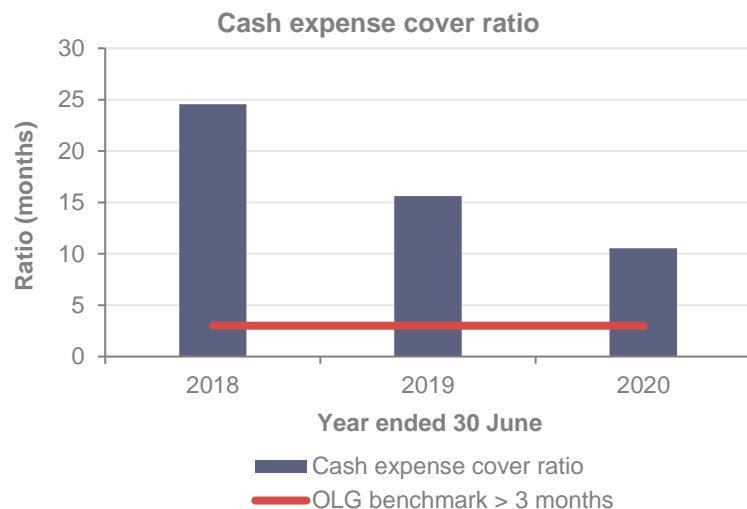
Rates and annual charges outstanding percentage

- 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 rates and annual charges outstanding percentage decreased to 6.27% (2019: 7.32%) primarily due to Council's practices in ensuring outstanding rates and annual charges debts are recovered timely.



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 with a result of 10.55 months.
- The cash expense cover ratio decreased to 10.55 months (2019: 15.60 months) primarily due to Council holding less cash and cash equivalents at 30 June 2020.



Infrastructure, property, plant and equipment renewals

The Council renewed \$18.82 million of assets in the 2019-20 financial year, compared to \$23.10 million of assets in the 2018-19 year. The decrease is primarily due to \$2.72 million fewer roads renewals and \$0.88 million fewer water supply network renewals.

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 did not recognise an 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 1 (e).

AASB 16 'Leases'

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

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

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

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

The Council disclosed the impact of adopting AASB 16 in Note 1 (e).

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: Mr Adrian Butler, General Manager
Ms Jo Shannon, Director Corporate and Community Services
Ms Linda MacRae, Audit, Risk and Improvement Committee Chair
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Federation 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).

Federation Council

Special Purpose Financial Statements 2020

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:

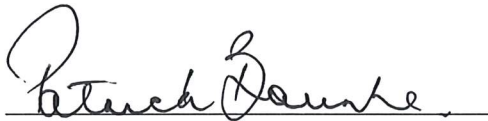
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- 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 20 October, 2020.



Patrick Bourke
Mayor
29 October, 2020



Shaun Whitechurch
Councillor
29 October, 2020



Adrian Butler
General Manager
29 October, 2020



Shane Norman
Responsible Accounting Officer
29 October, 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	625	569
User charges	3,949	4,400
Fees	44	48
Interest	158	284
Grants and contributions provided for non-capital purposes	67	116
Other income	76	284
Total income from continuing operations	4,919	5,701
Expenses from continuing operations		
Employee benefits and on-costs	2,342	2,039
Materials and contracts	995	799
Depreciation, amortisation and impairment	1,082	2,260
Loss on sale of assets	109	1,055
Calculated taxation equivalents	60	65
Other expenses	445	428
Total expenses from continuing operations	5,033	6,646
Surplus (deficit) from continuing operations before capital amounts	(114)	(945)
Grants and contributions provided for capital purposes	24	11
Surplus (deficit) from continuing operations after capital amounts	(90)	(934)
Surplus (deficit) from all operations before tax	(90)	(934)
SURPLUS (DEFICIT) AFTER TAX	(90)	(934)
Plus accumulated surplus	51,027	51,896
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	60	65
Closing accumulated surplus	50,997	51,027
Return on capital %	(0.3)%	(2.3)%
Subsidy from Council	491	1,495
Calculation of dividend payable:		
Surplus (deficit) after tax	(90)	(934)
Less: capital grants and contributions (excluding developer contributions)	(24)	(11)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	3,887	3,705
User charges	452	454
Liquid trade waste charges	51	89
Interest	121	204
Grants and contributions provided for non-capital purposes	165	146
Other income	28	33
Total income from continuing operations	4,704	4,631
Expenses from continuing operations		
Employee benefits and on-costs	2,141	1,829
Borrowing costs	184	188
Materials and contracts	1,078	1,064
Depreciation, amortisation and impairment	1,131	1,093
Loss on sale of assets	5	2,026
Calculated taxation equivalents	47	39
Other expenses	196	170
Total expenses from continuing operations	4,782	6,409
Surplus (deficit) from continuing operations before capital amounts	(78)	(1,778)
Grants and contributions provided for capital purposes	49	36
Surplus (deficit) from continuing operations after capital amounts	(29)	(1,742)
Surplus (deficit) from all operations before tax	(29)	(1,742)
SURPLUS (DEFICIT) AFTER TAX	(29)	(1,742)
Plus accumulated surplus	47,326	49,029
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	47	39
Closing accumulated surplus	47,344	47,326
Return on capital %	0.2%	(3.0)%
Subsidy from Council	377	2,298
Calculation of dividend payable:		
Surplus (deficit) after tax	(29)	(1,742)
Less: capital grants and contributions (excluding developer contributions)	(49)	(36)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Income Statement – Domestic Waste

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
Access charges	1,803	1,705
Interest	8	13
Grants and contributions provided for non-capital purposes	81	75
Other income	1	–
Total income from continuing operations	1,893	1,793
Expenses from continuing operations		
Employee benefits and on-costs	217	228
Materials and contracts	1,723	1,634
Total expenses from continuing operations	1,940	1,862
Surplus (deficit) from continuing operations before capital amounts	(47)	(69)
Surplus (deficit) from continuing operations after capital amounts	(47)	(69)
Surplus (deficit) from all operations before tax	(47)	(69)
SURPLUS (DEFICIT) AFTER TAX	(47)	(69)
Plus accumulated surplus	230	299
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	183	230
Subsidy from Council	47	69

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	8,744	8,898
Receivables	1,893	2,238
Total current assets	10,637	11,136
Non-current assets		
Infrastructure, property, plant and equipment	42,788	41,649
Total non-current assets	42,788	41,649
TOTAL ASSETS	53,425	52,785
LIABILITIES		
Current liabilities		
Payables	287	287
Income received in advance	275	264
Total current liabilities	562	551
TOTAL LIABILITIES	562	551
NET ASSETS	52,863	52,234
EQUITY		
Accumulated surplus	50,748	51,027
Revaluation reserves	2,115	1,207
TOTAL EQUITY	52,863	52,234

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	7,641	6,203
Receivables	1,831	2,693
Total current assets	9,472	8,896
Non-current assets		
Infrastructure, property, plant and equipment	54,888	53,639
Total non-current assets	54,888	53,639
TOTAL ASSETS	64,360	62,535
LIABILITIES		
Current liabilities		
Income received in advance	1,131	339
Borrowings	72	66
Total current liabilities	1,203	405
Non-current liabilities		
Borrowings	2,363	2,434
Total non-current liabilities	2,363	2,434
TOTAL LIABILITIES	3,566	2,839
NET ASSETS	60,794	59,696
EQUITY		
Accumulated surplus	47,498	47,328
Revaluation reserves	13,296	12,368
TOTAL EQUITY	60,794	59,696

Statement of Financial Position – Domestic Waste

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	62	72
Receivables	121	158
Total current assets	<u>183</u>	<u>230</u>
TOTAL ASSETS	<u>183</u>	<u>230</u>
NET ASSETS	<u>183</u>	<u>230</u>
EQUITY		
Accumulated surplus	183	230
TOTAL EQUITY	<u>183</u>	<u>230</u>

Federation Council

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 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Former Corowa Shire Council Water Supplies

Supply of Water to the towns of Corowa, Howlong and Mulwala

b. Former Corowa and Urana Shire Council Sewerage Services

Service of Sewerage reticulation and treatment system to the towns of Corowa, Howlong, Mulwala, Oaklands & Urana.

Category 2

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

a. Former Corowa Shire Council Domestic Waste Services

Collection of Domestic Waste from the towns of Corowa, Howlong, Mulwala, Balldale, Oaklands & Urana.

Federation Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Services Best-Practice Management Disclosures).

As required by Crown Lands and Water (CLAW), the amounts shown in Notes 2 and 3 are disclosed in whole dollars.

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

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

The rate applied of 27.5% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Federation Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

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.

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 1.32% at 30/6/19.

(iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June, 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Federation Council

To the Councillors of Federation Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Domestic Waste.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in 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

16 November 2020
SYDNEY

Federation Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	2020/21 Former Corowa Shire Council	2020/21 Former Urana Shire Council	2020/21 Federation Council	2019/20 Former Corowa Shire Council	2019/20 Former Urana Shire Council	2019/20 Federation Council
Notional general income calculation ¹							
Last year notional general income yield	a	6,255	1,760	8,015	6,059	1,714	7,773
Plus or minus adjustments ²	b	37	(2)	35	32	–	32
Notional general income	c = a + b	6,292	1,758	8,050	6,091	1,714	7,805
Permissible income calculation							
Or rate peg percentage	e	2.60%	2.60%		2.70%	2.70%	
Or plus rate peg amount	i = e x (c + g)	164	46	210	164	46	210
Sub-total	k = (c + g + h + i + j)	6,456	1,804	8,260	6,255	1,760	8,015
Plus (or minus) last year's carry forward total	l	1	1	2	1	1	2
Sub-total	n = (l + m)	1	1	2	1	1	2
Total permissible income	o = k + n	6,457	1,805	8,262	6,256	1,761	8,017
Less notional general income yield	p	6,450	1,804	8,254	6,255	1,760	8,015
Catch-up or (excess) result	q = o – p	7	1	8	2	1	3
Carry forward to next year ⁶	t = q + r + s	7	1	8	2	1	3

Notes

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

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		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					
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	1,365	750	55	80	16,182	21,555	42.2%	44.4%	2.6%	8.5%	2.3%
	Buildings – specialised	6,689	1,100	127	145	22,802	39,135	22.5%	26.5%	31.1%	21.9%	(1.9%)
	Garbage depots	66	25	25	25	510	755	8.2%	73.5%	9.5%	7.6%	1.2%
	Councils works depot	472	120	60	76	1,609	3,195	11.4%	17.6%	45.6%	20.7%	4.8%
	Council community halls	7,298	–	120	32	5,592	16,152	1.6%	11.4%	4.0%	51.7%	31.3%
	Health centres	–	–	15	10	1,700	2,456	25.7%	32.9%	41.4%	0.0%	0.0%
	Museum	730	–	20	3	1,231	2,663	0.0%	36.3%	18.4%	45.3%	0.0%
	Pre schools	450	120	10	9	1,553	3,091	4.2%	23.6%	48.0%	24.2%	0.0%
	Rural fire service building	30	–	3	3	1,513	2,039	27.6%	63.3%	6.9%	0.0%	2.2%
	Saleyards	18	15	30	72	1,833	3,156	6.3%	4.9%	88.2%	0.0%	0.6%
	Sub-total	17,118	2,130	465	455	54,525	94,197	21.3%	28.5%	22.1%	22.8%	5.3%
Other structures	Balldale water supply	400	50	20	17	602	1,302	11.0%	0.8%	39.4%	5.1%	43.8%
	Sub-total	400	50	20	17	602	1,302	11.0%	0.8%	39.4%	5.1%	43.8%
Roads	Sealed roads	6,165	6,165	1,855	1,589	168,010	252,411	31.0%	28.6%	26.7%	37.9%	(24.2%)
	Unsealed roads	1,950	1,950	1,620	1,562	23,326	46,922	2.6%	23.9%	54.6%	0.0%	19.0%
	Bridges	55	55	–	–	14,635	23,654	22.5%	27.6%	32.0%	17.9%	0.0%
	Footpaths	132	100	37	60	4,411	6,044	29.5%	44.6%	22.1%	0.6%	3.2%
	Bulk earthworks	–	–	–	–	118,164	118,164	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	450	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bikepath	–	–	15	12	1,065	1,302	57.6%	27.8%	14.6%	0.0%	0.0%
	Kerb and gutter	225	200	20	15	12,016	16,485	20.9%	57.4%	15.1%	5.9%	0.7%
	Car parks	140	140	30	5	1,725	2,940	41.0%	17.0%	10.8%	0.3%	30.9%
	Sub-total	8,667	8,610	3,577	3,243	343,802	467,922	44.9%	22.0%	22.4%	21.5%	(10.9%)
Water supply network	Mains	5,750	2,200	355	244	22,920	40,298	25.4%	19.0%	32.0%	15.1%	8.5%
	Reservoirs	698	50	20	17	4,409	7,344	1.2%	66.0%	17.4%	14.9%	0.6%
	Pumping stations	1,250	650	40	23	2,062	4,083	36.8%	0.8%	2.6%	31.2%	28.7%
	Treatment plants	3,080	500	140	133	9,602	16,995	20.8%	25.1%	23.0%	22.9%	8.2%
	Sub-total	10,778	3,400	555	417	38,993	68,720	22.3%	24.5%	26.5%	18.0%	8.8%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		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						
Sewerage network	Mains	720	350	148	151	30,464	44,164	16.7%	61.5%	18.3%	1.2%	2.3%	
	Pumping stations	670	400	121	198	2,035	3,934	22.5%	14.3%	31.8%	6.4%	25.0%	
	Treatment	1,080	600	140	78	15,393	23,760	46.8%	3.7%	41.9%	0.1%	7.6%	
	Manholes	1,250	400	15	15	3,637	7,201	10.1%	35.4%	25.2%	16.6%	12.6%	
	Sub-total	3,720	1,750	424	442	51,529	79,059	25.4%	39.4%	26.7%	2.5%	6.0%	
Stormwater drainage	Stormwater drainage	750	500	168	147	31,524	41,641	42.4%	40.2%	13.0%	3.9%	0.6%	
	Sub-total	750	500	168	147	31,524	41,641	42.4%	40.2%	13.0%	3.9%	0.6%	
Open space / recreational assets	Swimming pools	470	450	76	48	2,391	4,460	18.2%	4.8%	59.6%	17.4%	0.0%	
	Boat ramps	69	50	15	5	493	626	65.2%	8.8%	8.8%	7.0%	10.2%	
	Playground equipment	50	20	36	24	1,154	1,451	67.8%	7.6%	9.7%	9.4%	5.4%	
	Sub-total	589	520	127	77	4,038	6,537	33.7%	5.8%	43.7%	14.6%	2.2%	
TOTAL - ALL ASSETS		42,022	16,960	5,336	4,798	525,013	759,378	37.6%	25.7%	22.9%	18.3%	(4.5%)	

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	8,136	88.43%	111.68%	80.52%	>=100.00%
Depreciation, amortisation and impairment	9,201				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	42,022	8.01%	8.06%	4.55%	<2.00%
Net carrying amount of infrastructure assets	524,304				
Asset maintenance ratio					
Actual asset maintenance	4,798	89.92%	79.55%	72.13%	>100.00%
Required asset maintenance	5,336				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	16,960	2.23%	1.66%	2.70%	
Gross replacement cost	759,378				

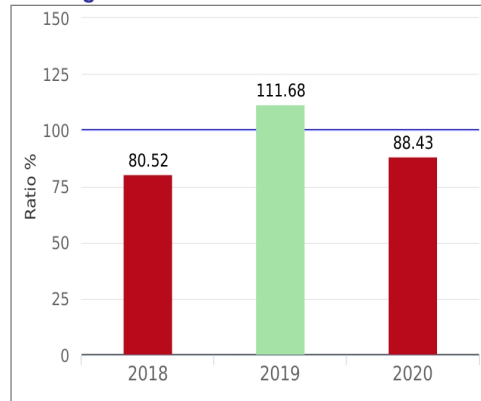
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

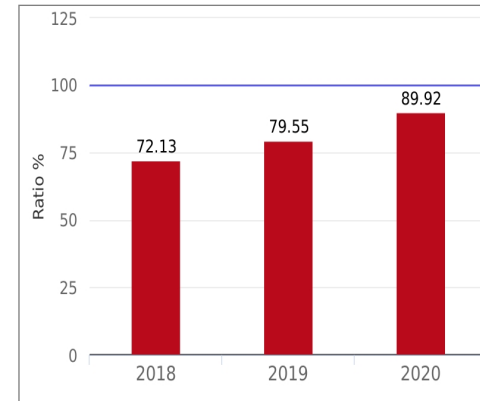
Commentary on result

19/20 ratio 88.43%

Council has been working hard on renewing assets, at the end of year Council hadn't finished some renewal projects which is in WIP area. WIP isn't included in this ratio, but if it was the ratio would be over 100%.

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.

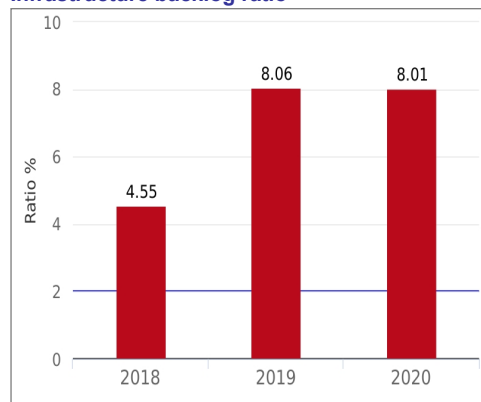
Commentary on result

19/20 ratio 89.92%

Council are in the final stages on conducting a review of their Long Term Financial Plan along with their Asset Management Plan. This new information will give Council a better understanding of what maintenance is required for Council's assets.

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.

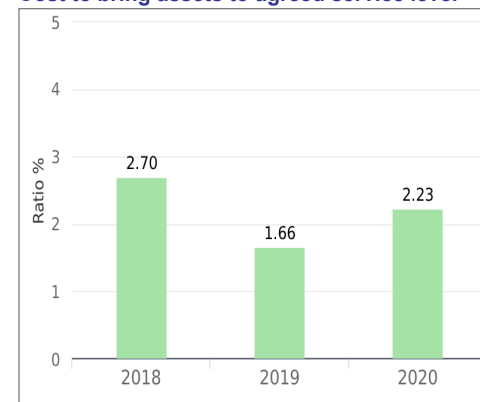
Commentary on result

19/20 ratio 8.01%

This years ratio has been calculated by measuring the cost of moving all of condition rated 4 and 5 assets to a condition 3 rating.

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 2.23%

Council are in the final stages on conducting a review of their Long Term Financial Plan along with their Asset Management Plan. This new information will give Council a better understanding of what maintenance is required for Council's assets.

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

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	114.32%	122.74%	0.00%	79.89%	0.00%	51.37%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	6.35%	6.18%	27.64%	27.88%	7.22%	7.16%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	90.41%	77.33%	75.14%	71.35%	104.25%	113.21%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	1.93%	1.22%	4.95%	4.30%	2.21%	2.13%	

(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.



INDEPENDENT AUDITOR'S REPORT
Special Schedule - Permissible income for general rates
Federation Council

To the Councillors of Federation Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

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

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

16 November 2020
SYDNEY