

# Cabonne Council

## ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2020

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***“Cabonne Council is committed to providing sustainable local government to our rural communities through consultation and sound financial management which will ensure equitable resource allocation.”***



# Cabonne Council

## GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2020

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***“Cabonne Council is committed to providing sustainable local government to our rural communities through consultation and sound financial management which will ensure equitable resource allocation.”***



# General Purpose Financial Statements

for the year ended 30 June 2020

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Contents	Page
<b>1. Understanding Council's Financial Statements</b>	<b>3</b>
<b>2. Statement by Councillors &amp; Management</b>	<b>4</b>
<b>3. Primary Financial Statements:</b>	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
<b>4. Notes to the Financial Statements</b>	<b>10</b>
<b>5. Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	84
On the Financial Statements (Sect 417 [3])	87

# General Purpose Financial Statements

for the year ended 30 June 2020

## Understanding Council's Financial Statements

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### Introduction

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

### What you will find in the Statements

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

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

### About the Councillor/Management Statement

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

### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

#### 1. The Income Statement

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

#### 2. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

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

#### 4. The Statement of Changes in Equity

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

#### 5. The Statement of Cash Flows

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

### Who uses the Financial Statements?

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

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

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

**General Purpose Financial Statements**

for the year ended 30 June 2020

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

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

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

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

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

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

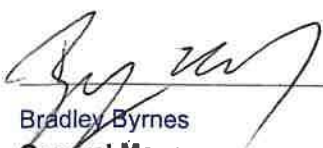
**Signed in accordance with a resolution of Council made on 27 October 2020.**



**Kevin Beatty**  
**Mayor**  
27 October 2020



**Jamie Jones**  
**Deputy Mayor**  
27 October 2020



**Bradley Byrnes**  
**General Manager**  
27 October 2020



**Heather Nicholls**  
**Responsible Accounting Officer**  
27 October 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
	<b>Income from continuing operations</b>			
14,341	Rates and annual charges	3a	14,295	14,282
8,763	User charges and fees	3b	7,423	7,329
459	Other revenues	3c	626	426
8,766	Grants and contributions provided for operating purposes	3d,3e	11,290	8,680
7,681	Grants and contributions provided for capital purposes	3d,3e	8,407	14,915
1,117	Interest and investment income	4	888	1,220
300	Net gains from the disposal of assets	6	833	242
396	Rental income	13	377	—
—	Net share of interests in joint ventures and associates using the equity method	18	3,989	357
<b>41,823</b>	<b>Total income from continuing operations</b>		<b>48,128</b>	<b>47,451</b>
	<b>Expenses from continuing operations</b>			
12,356	Employee benefits and on-costs	5a	12,186	11,475
133	Borrowing costs	5b	108	135
7,388	Materials and contracts	5c	6,682	5,319
10,757	Depreciation and amortisation	5d	11,287	10,973
4,453	Other expenses	5e	4,817	5,043
<b>35,087</b>	<b>Total expenses from continuing operations</b>		<b>35,080</b>	<b>32,945</b>
<b>6,736</b>	<b>Operating result from continuing operations</b>		<b>13,048</b>	<b>14,506</b>
<b>6,736</b>	<b>Net operating result for the year</b>		<b>13,048</b>	<b>14,506</b>
6,736	Net operating result attributable to council		13,048	14,506
<b>(945)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>4,641</b>	<b>(409)</b>

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>13,048</b>	<b>14,506</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	(13,862)	852
Other comprehensive income – joint ventures and associates		363	191
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(13,499)</b>	<b>1,043</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		(161)	161
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>(161)</b>	<b>161</b>
<b>Total other comprehensive income for the year</b>		<b>(13,660)</b>	<b>1,204</b>
<b>Total comprehensive income for the year</b>		<b>(612)</b>	<b>15,710</b>
 Total comprehensive income attributable to Council		 (612)	 15,710

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

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

# Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	9,927	8,306
Investments	7(b)	37,000	38,500
Receivables	8	2,972	5,632
Inventories	9a	987	973
Contract assets	12a	3,089	—
Other	9b	86	104
<b>Total current assets</b>		<b>54,061</b>	<b>53,515</b>
<b>Non-current assets</b>			
Investments	7(b)	—	161
Receivables	8	1,128	1,297
Inventories	9a	41	41
Infrastructure, property, plant and equipment	10	564,418	568,273
Intangible Assets	11	137	99
Investments accounted for using the equity method	18	29,113	24,761
Other	9b	282	282
<b>Total non-current assets</b>		<b>595,119</b>	<b>594,914</b>
<b>Total assets</b>		<b>649,180</b>	<b>648,429</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	14	5,368	3,480
Income received in advance	14	83	297
Contract liabilities	12b	1,086	—
Borrowings	14	137	219
Provisions	15	3,157	3,655
<b>Total current liabilities</b>		<b>9,831</b>	<b>7,651</b>
<b>Non-current liabilities</b>			
Payables	14	58	58
Borrowings	14	1,549	1,686
Provisions	15	1,632	1,631
<b>Total non-current liabilities</b>		<b>3,239</b>	<b>3,375</b>
<b>Total liabilities</b>		<b>13,070</b>	<b>11,026</b>
<b>Net assets</b>		<b>636,110</b>	<b>637,403</b>
<b>EQUITY</b>			
Accumulated surplus	16	381,011	368,292
Revaluation reserves	16	255,099	268,950
Other reserves	16	—	161
<b>Council equity interest</b>		<b>636,110</b>	<b>637,403</b>
<b>Total equity</b>		<b>636,110</b>	<b>637,403</b>

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

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



## Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20				as at 30/06/19			
		Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity	Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity
Opening balance		368,292	268,950	161	637,403	353,595	268,098	–	621,693
Changes due to AASB 1058 and AASB 15 adoption	16	(681)	–	–	(681)	–	–	–	–
<b>Restated opening balance</b>		<b>367,611</b>	<b>268,950</b>	<b>161</b>	<b>636,722</b>	<b>353,595</b>	<b>268,098</b>	<b>–</b>	<b>621,693</b>
Net operating result for the year		13,048	–	–	13,048	14,506	–	–	14,506
<b>Other comprehensive income</b>									
– Adoption of new accounting standards – not retrospective	16b	–	–	–	–	–	–	161	161
– Gain (loss) on revaluation of IPP&E	10	–	(13,862)	–	(13,862)	–	852	–	852
– Joint ventures and associates		363	–	–	363	191	–	–	191
– Other movements		(11)	11	(161)	(161)	–	–	–	–
<b>Other comprehensive income</b>		<b>352</b>	<b>(13,851)</b>	<b>(161)</b>	<b>(13,660)</b>	<b>191</b>	<b>852</b>	<b>161</b>	<b>1,204</b>
<b>Total comprehensive income</b>		<b>13,400</b>	<b>(13,851)</b>	<b>(161)</b>	<b>(612)</b>	<b>14,697</b>	<b>852</b>	<b>161</b>	<b>15,710</b>
<b>Equity – balance at end of the reporting period</b>		<b>381,011</b>	<b>255,099</b>	<b>–</b>	<b>636,110</b>	<b>368,292</b>	<b>268,950</b>	<b>161</b>	<b>637,403</b>

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

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

# Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
14,340	Rates and annual charges		14,767	14,085
9,158	User charges and fees		7,212	8,964
1,117	Investment and interest revenue received		1,124	1,217
16,447	Grants and contributions		17,792	26,277
–	Bonds, deposits and retention amounts received		127	–
459	Other		5,860	426
<b>Payments:</b>				
(12,356)	Employee benefits and on-costs		(12,484)	(11,804)
(5,854)	Materials and contracts		(8,844)	(9,477)
(327)	Borrowing costs		(107)	(137)
–	Bonds, deposits and retention amounts refunded		–	(197)
(4,453)	Other		(4,560)	(6,596)
18,531	<b>Net cash provided (or used in) operating activities</b>	17b	20,887	22,758
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
745	Sale of investment securities		81,293	91,750
–	Sale of real estate assets		57	89
1,020	Sale of infrastructure, property, plant and equipment		446	668
–	Deferred debtors receipts		–	83
<b>Payments:</b>				
–	Purchase of investment securities		(79,008)	(90,750)
(23,008)	Purchase of infrastructure, property, plant and equipment		(21,643)	(21,888)
–	Purchase of intangible assets		(84)	–
–	Deferred debtors and advances made		(108)	–
(21,243)	<b>Net cash provided (or used in) investing activities</b>		(19,047)	(20,048)
<b>Cash flows from financing activities</b>				
<b>Payments:</b>				
(219)	Repayment of borrowings and advances		(219)	(208)
(219)	<b>Net cash flow provided (used in) financing activities</b>		(219)	(208)
(2,931)	<b>Net increase/(decrease) in cash and cash equivalents</b>		1,621	2,502
8,000	Plus: cash and cash equivalents – beginning of year	17a	8,306	5,804
5,069	<b>Cash and cash equivalents – end of the year</b>	17a	9,927	8,306
37,000	plus: Investments on hand – end of year	7(b)	37,000	38,661
42,069	<b>Total cash, cash equivalents and investments</b>		46,927	46,967

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Revenue from continuing operations	16
4	Interest and investment income	23
5	Expenses from continuing operations	24
6	Gain or loss from disposal of assets	28
7(a)	Cash and cash equivalents	29
7(b)	Investments	29
7(c)	Restricted cash, cash equivalents and investments	31
8	Receivables	33
9	Inventories and other assets	35
10	Infrastructure, property, plant and equipment	37
11	Intangible assets	41
12	Contract assets and liabilities	42
13	Leases	43
14	Payables and borrowings	44
15	Provisions	46
16	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	49
17	Statement of cash flow information	54
18	Interests in other entities	55
19	Commitments	58
20	Contingencies	59
21	Financial risk management	62
22	Material budget variations	65
23	Fair Value Measurement	66
24	Related party disclosures	76
25	Events occurring after the reporting date	77
26	Statement of developer contributions	78
27	Result by fund	79
28(a)	Statement of performance measures – consolidated results	81
28(b)	Statement of performance measures – by fund	82
	<b>Additional Council disclosures (unaudited)</b>	
29	Council information and contact details	83

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 27 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 consolidated financial statements are set out below.

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

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

Council is a not for-profit entity.

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

#### (a) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

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

- (i) Impairment of receivables

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

### Monies and other assets received by Council

#### (a) The Consolidated Fund

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

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

- General purpose operations
- Water service

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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- Sewerage services

#### (b) The Trust Fund

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

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

#### Goods and Services Tax (GST)

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

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

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

#### Volunteer services

Council has considered the various forms of volunteer services received and cannot measure the value of the volunteer services reliably. Therefore, volunteer services are not recognised in Other Income and corresponding Other Expenses.

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

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

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

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

##### **AASB 1059 Service Concession Arrangements: Grantors**

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

### New accounting standards adopted during the year

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Connect Cabonne to each other and the World	13,953	10,522	13,076	8,180	877	2,342	7,815	5,204	395,900	395,710
Build Business and Generate employment	168	267	907	749	(739)	(482)	–	–	350	347
Provide and develop Community facilities	2,214	1,941	5,793	10,616	(3,579)	(8,675)	818	459	74,930	74,929
Grow Cabonne Culture and Community	19,323	19,498	7,144	6,134	12,179	13,364	5,775	7,434	69,000	68,771
Manage our Natural Resources	12,470	15,223	8,160	7,266	4,310	7,957	2,148	7,658	109,000	108,672
<b>Total functions and activities</b>	<b>48,128</b>	<b>47,451</b>	<b>35,080</b>	<b>32,945</b>	<b>13,048</b>	<b>14,506</b>	<b>16,556</b>	<b>20,755</b>	<b>649,180</b>	<b>648,429</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### **Connect Cabonne to each other and the World**

To provide a safe, efficient, quality and well maintained Urban and Rural transport system. To ensure that Cabonne's infrastructure meets agricultural needs to get goods to and from market. To ensure everywhere in Cabonne has access to contemporary information and communication technology. To provide a range of transport options in to, out of and around Cabonne. To ensure access to major metropolitan markets to enable growth of tourism.

#### **Build Business and Generate employment**

To provide a strong and vibrant local business sector and to increase viable, sustainable and value adding business in Cabonne. To have a co-ordinated tourism product and a thriving visitor industry in Cabonne. To provide jobs for Cabonne people in Cabonne.

#### **Provide and develop Community facilities**

To provide preschool, play group, child care and youth facilities within Cabonne. To provide health and aged care facilities that meet the local communities needs. To provide sporting, recreational, council and community facilities and services that are maintained and developed in Cabonne.

#### **Grow Cabonne Culture and Community**

To have a successful balance of village and rural living in the Cabonne Shire. To provide a network of viable, relevant and cultural facilities that exist in Cabonne. To provide the community with beautiful towns and villages with historic assets. The community events build visitation, generate investment and strengthen community well being. To ensure that Cabonne is effective and efficient Council which make transparent and accountable decisions.

#### **Manage our Natural Resources**

To ensure that all town and villages have a secure and quality water supply. That Cabonne has flood mitigation processes in place to manage stormwater and pollution. That Cabonne has a sustainable solid and liquid waste management practices in place across the Shire. To provide our primary producers with information regarding best practice in regards to noxious weed controls. To ensure that all the natural resources are managed sustainably and in a planned way.



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	3,061	3,091
Farmland	1058 (1)	5,115	5,022
Mining	1058 (1)	1,782	1,758
Business	1058 (1)	246	255
Less: pensioner rebates (mandatory)	1058 (1)	(155)	(152)
<b>Rates levied to ratepayers</b>		<b>10,049</b>	<b>9,974</b>
Pensioner rate subsidies received	1058 (1)	80	77
<b>Total ordinary rates</b>		<b>10,129</b>	<b>10,051</b>
<b>Annual charges</b>			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	1,241	1,388
Water supply services	15 (1)	515	522
Sewerage services	15 (1)	2,017	2,105
Waste management services (non-domestic)	1058 (1)	381	200
Section 611 charges	15 (1)	8	7
Less: pensioner rebates (mandatory)		(177)	(152)
Stormwater levy	1058 (1)	74	74
<b>Annual charges levied</b>		<b>4,059</b>	<b>4,144</b>
Pensioner subsidies received:			
– Water		15	10
– Sewerage		36	22
– Domestic waste management		56	55
<b>Total annual charges</b>		<b>4,166</b>	<b>4,231</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>14,295</b>	<b>14,282</b>

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

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

Council has used 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>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	1058 (1)	668	852
Sewerage services	1058 (1)	77	66
<b>Total specific user charges</b>		<b>745</b>	<b>918</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation	15 (1)	344	426
Private works – section 67	1058 (1)	151	453
Section 603 certificates	1058 (1)	27	24
Discretionary fees – other	1058 (1)	10	201
Waste management	1058 (1)	167	221
<b>Total fees and charges – statutory/regulatory</b>		<b>699</b>	<b>1,325</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Caravan park	1058 (1)	165	164
Cemeteries	1058 (1)	57	76
Child care	1058 (1)	1,082	1,058
Lease rentals	1058 (1)	–	353
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (1)	4,667	3,427
Trade waste	1058 (1)	8	8
<b>Total fees and charges – other</b>		<b>5,979</b>	<b>5,086</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>7,423</b>	<b>7,329</b>

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

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

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

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

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

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

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

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

**2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Legal fees recovery – rates and charges (extra charges)	1058 (1)	107	11
Commissions and agency fees	1058 (1)	22	27
Diesel rebate	1058 (1)	145	120
Insurance claims recoveries	1058 (1)	17	23
Recycling income (non-domestic)	1058 (1)	101	81
Gravel pit restoration	1058 (1)	45	45
Rebates received	1058 (1)	137	66
Other	1058 (1)	52	53
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>626</u></b>	<b><u>426</u></b>

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

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

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

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

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

**Accounting policy for other revenue**

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

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

**2019 accounting policy:**

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	1,453	1,457	–	–
Financial assistance – local roads component	1058 (1)	1,038	1,022	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	1058 (1)	1,538	1,510	–	–
Financial assistance – local roads component	1058 (1)	1,101	1,060	–	–
<b>Total general purpose</b>		<b>5,130</b>	<b>5,049</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Water supplies	1058 (2)	119	6	1,103	7,393
LIRS subsidy	1058 (2)	30	77	–	–
Recreation and culture	1058 (2)	525	57	275	2,306
Street lighting	1058 (2)	38	38	–	–
Community services	1058 (1)	714	629	–	–
Environment	1058 (1)	155	182	742	126
Transport and communication	1058 (2)	1,946	375	5,774	4,445
Other	1058 (2)	5	72	–	–
<b>Total specific purpose</b>		<b>3,532</b>	<b>1,436</b>	<b>7,894</b>	<b>14,270</b>
<b>Total grants</b>		<b>8,662</b>	<b>6,485</b>	<b>7,894</b>	<b>14,270</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		8,310	5,391	–	567
– State funding		352	1,094	7,894	13,701
– Other funding		–	–	–	2
		<b>8,662</b>	<b>6,485</b>	<b>7,894</b>	<b>14,270</b>

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions:</b> <b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		1058 (1)	168	42	–	–
<b>Total developer contributions – cash</b>			<b>168</b>	<b>42</b>	<b>–</b>	<b>–</b>
<b>Total developer contributions</b>	26		<b>168</b>	<b>42</b>	<b>–</b>	<b>–</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Bushfire services		1058 (1)	24	84	395	567
Community services		1058 (1)	162	182	–	–
Recreation and culture		1058 (1)	36	3	98	–
RMS contributions (regional roads, block grant)		1058 (1)	1,643	1,609	–	–
Sewerage (excl. section 64 contributions)		1058 (1)	–	–	13	20
Tourism		1058 (1)	–	9	–	–
Water supplies (excl. section 64 contributions)		1058 (1)	–	–	7	–
Administration		1058 (1)	1	9	–	–
Environment		1058 (1)	44	19	–	–
Health		1058 (1)	44	73	–	–
Transport and communication		1058 (1)	496	165	–	58
Other Contributions			10	–	–	–
<b>Total other contributions – cash</b>			<b>2,460</b>	<b>2,153</b>	<b>513</b>	<b>645</b>
<b>Total other contributions</b>			<b>2,460</b>	<b>2,153</b>	<b>513</b>	<b>645</b>
<b>Total contributions</b>			<b>2,628</b>	<b>2,195</b>	<b>513</b>	<b>645</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>11,290</b>	<b>8,680</b>	<b>8,407</b>	<b>14,915</b>

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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The performance obligations are varied based on the agreement but include [provide details of performance obligations within AASB 15 grants e.g. events, vaccinations]. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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
<b>(f) Unspent grants and contributions – external restrictions</b>		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	3,045	3,783
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	2,672	2,679
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	(2,794)	(3,417)
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>2,923</b>	<b>3,045</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	530	295
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	–	417
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	(481)	(182)
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>49</b>	<b>530</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	2,690	1,997
<b>Add:</b> contributions recognised as income in the current period but not yet spent	1,604	1,619
<b>Less:</b> contributions recognised in a previous reporting period now spent	(2,670)	(926)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>1,624</b>	<b>2,690</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	91	89
– Cash and investments	746	1,114
Dividend income (other)	51	17
<b>Total Interest and investment income</b>	<b>888</b>	<b>1,220</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	62	58
General Council cash and investments	736	988
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	3	7
Water fund operations	48	56
Sewerage fund operations	28	53
Domestic waste management operations	11	41
Other externally restricted assets	–	17
<b>Total interest and investment revenue</b>	<b>888</b>	<b>1,220</b>

**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
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	9,929	8,796
Travel expenses	430	441
Employee leave entitlements (ELE)	1,142	1,743
Superannuation	1,184	1,186
Workers' compensation insurance	492	392
Fringe benefit tax (FBT)	88	60
Pre employment medicals	16	7
Protective clothing	80	63
Training costs (other than salaries and wages)	113	183
Other	78	74
<b>Total employee costs</b>	<b>13,552</b>	<b>12,945</b>
Less: capitalised costs	(1,366)	(1,470)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>12,186</b>	<b>11,475</b>
Number of 'full-time equivalent' employees (FTE) at year end	160	152

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

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 20 for more information.

\$ '000	Notes	2020	2019
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		107	119
Other debts		–	11
<b>Total interest bearing liability costs</b>		<b>107</b>	<b>130</b>
<b>Total interest bearing liability costs expensed</b>		<b>107</b>	<b>130</b>
<b>(ii) Other borrowing costs</b>			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	15	1	5
<b>Total other borrowing costs</b>		<b>1</b>	<b>5</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>108</b>	<b>135</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

**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.

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	3,445	2,635
– Caretaker fees	308	166
– Cleaning	43	87
– Consultancy costs	111	57
– Licence agreements	485	474
– Service contracts	2,142	1,734
– Valuation fees	56	62
Auditors remuneration <sup>2</sup>	54	51
<b>Legal expenses:</b>		
– Legal expenses: planning and development	–	2
– Legal expenses: other	38	51
<b>Total materials and contracts</b>	<b>6,682</b>	<b>5,319</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>6,682</b>	<b>5,319</b>

**Accounting policy for materials and contracts**

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

**Operating leases (2019 only)**

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

**2. Auditor remuneration**

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

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

Audit and review of financial statements

	54	51
<b>Remuneration for audit and other assurance services</b>	<b>54</b>	<b>51</b>
<b>Total Auditor-General remuneration</b>	<b>54</b>	<b>51</b>

**Non NSW Auditor-General audit firms**

<b>Total Auditor remuneration</b>	<b>54</b>	<b>51</b>
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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
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		2,040	2,050
Office equipment		105	84
Furniture and fittings		43	48
Land improvements (depreciable)		189	150
<b>Infrastructure:</b>	10		
– Buildings – non-specialised		145	144
– Buildings – specialised		1,642	1,617
– Other structures		399	390
– Roads		4,123	3,987
– Bridges		392	391
– Footpaths		75	61
– Stormwater drainage		409	405
– Water supply network		623	581
– Sewerage network		757	734
– Swimming pools		138	136
– Other open space/recreational assets		155	149
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	15,10	1	1
– Quarry assets	15,10	5	5
Intangible assets	11	46	40
<b>Total gross depreciation and amortisation costs</b>		<b>11,287</b>	<b>10,973</b>
<b>Total depreciation and amortisation costs</b>		<b>11,287</b>	<b>10,973</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</b>		<b>11,287</b>	<b>10,973</b>

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

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

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

**Impairment of non-financial assets**

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
<b>(e) Other expenses</b>		
Advertising	67	58
Bank charges	39	36
Commissions paid	20	20
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	22	18
– NSW fire brigade levy	42	38
– NSW rural fire service levy	411	389
Councillor expenses – mayoral fee	26	26
Councillor expenses – councillors' fees	145	144
Councillors' expenses (incl. mayor) – other (excluding fees above)	45	42
Donations, contributions and assistance to other organisations (Section 356)	22	27
Donations, contributions and assistance to community groups	614	581
Electricity and heating	418	417
External hire	850	1,051
Insurance	560	626
Memberships	229	173
Postage	43	40
Printing and stationery	89	95
Rates expense	599	634
Registrations	154	152
Rent expense	19	17
Service subsidy expense	25	26
Street lighting	152	209
Subscriptions and publications	24	24
Telephone and communications	121	103
Volunteer expenses	18	20
Water / sewer sampling	21	11
Other	42	66
<b>Total other expenses</b>	<b>4,817</b>	<b>5,043</b>
<b>TOTAL OTHER EXPENSES</b>	<b>4,817</b>	<b>5,043</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		137	–
Less: carrying amount of property assets sold/written off		(126)	–
<b>Net gain/(loss) on disposal</b>		<b>11</b>	<b>–</b>
<b>Infrastructure, Plant and equipment</b>			
	10		
Proceeds from disposal – infrastructure, plant and equipment		309	668
Less: carrying amount of infrastructure, plant and equipment assets sold/written off		(269)	(515)
<b>Net gain/(loss) on disposal</b>		<b>40</b>	<b>153</b>
<b>Real estate assets held for sale</b>			
	9		
Proceeds from disposal – real estate assets		57	89
Less: carrying amount of real estate assets sold/written off		(60)	–
<b>Net gain/(loss) on disposal</b>		<b>(3)</b>	<b>89</b>
<b>Investments</b>			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		81,293	91,750
Less: carrying amount of investments sold/redeemed/matured		(80,508)	(91,750)
<b>Net gain/(loss) on disposal</b>		<b>785</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>833</b>	<b>242</b>

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	2,810	1,142
Cash-equivalent assets		
– Deposits at call	6,108	3,664
– Short-term deposits	1,009	3,500
<b>Total cash and cash equivalents</b>	<b>9,927</b>	<b>8,306</b>

**Accounting policy for cash and cash equivalents**

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

## Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
Financial assets at amortised costs (2020 held to maturity investments)	37,000	–	38,500	–
Equity Securities at FVOCI	–	–	–	161
<b>Total Investments</b>	<b>37,000</b>	<b>–</b>	<b>38,500</b>	<b>161</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>46,927</b>	<b>–</b>	<b>46,806</b>	<b>161</b>
<b>Financial assets at amortised cost (2020 held to maturity)</b>				
Term deposits	37,000	–	38,500	–
<b>Total</b>	<b>37,000</b>	<b>–</b>	<b>38,500</b>	<b>–</b>
<b>Equity Securities at FVOCI</b>				
Equity instruments	–	–	–	161
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>161</b>

**Accounting policy for investments**

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

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

**Financial assets**

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

**Classification**

On initial recognition, Council classifies its financial assets 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 7(b). Investments (continued)

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#### **Amortised cost**

Assets measured at amortised cost are financial assets where:

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

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

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.

#### **Fair value through other comprehensive income – equity instruments**

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

#### **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.

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	46,927	–	46,806	161
<b>attributable to:</b>				
External restrictions	19,321	–	18,509	–
Internal restrictions	25,001	–	26,676	–
Unrestricted	2,605	–	1,621	161
	46,927	–	46,806	161

\$ '000	2020	2019
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## Details of restrictions

## External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	1,086	–
<b>External restrictions – included in liabilities</b>	<b>1,086</b>	<b>–</b>

## External restrictions – other

Developer contributions – general	1,055	898
RMS contributions	1,624	1,793
Specific purpose unexpended grants (recognised as revenue) – general fund	2,973	3,575
Water supplies	4,382	4,566
Sewerage services	2,782	2,505
Stormwater management	328	316
Canowindra sports trust	23	40
Canowindra town improvement	1,227	1,088
Domestic waste management	3,841	3,728
<b>External restrictions – other</b>	<b>18,235</b>	<b>18,509</b>
<b>Total external restrictions</b>	<b>19,321</b>	<b>18,509</b>

## Internal restrictions

Plant and vehicle replacement	1,569	1,665
Infrastructure replacement	1,607	1,620
Employees leave entitlement	1,645	1,826
Budget equilization	2,375	3,342
Future Innovation	652	–
Capital works	4,432	7,173
Community services	756	593
Environment	126	126
Environmental sustainability	138	138
Gravel pits	388	343
Housing	137	137
Insurance	87	–
Limestone quarry	1,480	1,480
Office equipment	576	950
Recreation and culture	2	2
Canowindra retirement Village	1,198	–
Roadworks	6,804	6,029
Sewerage	17	17
Village enhancement	1,012	1,235
<b>Total internal restrictions</b>	<b>25,001</b>	<b>26,676</b>

continued on next page ...



# Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>TOTAL RESTRICTIONS</b>	<b>44,322</b>	<b>45,185</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	570	233	533	359
Interest and extra charges	25	92	33	194
User charges and fees	451	212	522	183
Accrued revenues				
– Interest on investments	161	–	287	–
– Other income accruals	1,381	–	3,254	–
Amounts due from other councils	–	–	289	–
Council private works	12	–	132	–
Deferred debtors	156	591	78	561
Government grants and subsidies	314	–	383	–
NSW Rural Fire Service	79	–	299	–
Other debtors	104	–	125	–
<b>Total</b>	<b>3,253</b>	<b>1,128</b>	<b>5,935</b>	<b>1,297</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(157)	–	(140)	–
User charges and fees	(124)	–	(163)	–
<b>Total provision for impairment – receivables</b>	<b>(281)</b>	<b>–</b>	<b>(303)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>2,972</b>	<b>1,128</b>	<b>5,632</b>	<b>1,297</b>

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	303	303
– amounts already provided for and written off this year	(22)	–
<b>Balance at the end of the year</b>	<b>281</b>	<b>303</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

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

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

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

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

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

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

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

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

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

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

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
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	529	41	589	41
Stores and materials	458	–	384	–
<b>Total inventories at cost</b>	<b>987</b>	<b>41</b>	<b>973</b>	<b>41</b>
<b>TOTAL INVENTORIES</b>	<b>987</b>	<b>41</b>	<b>973</b>	<b>41</b>

### (b) Other assets

Prepayments	86	–	104	–
Shares in unlisted companies – StateCover	–	282	–	282
<b>TOTAL OTHER ASSETS</b>	<b>86</b>	<b>282</b>	<b>104</b>	<b>282</b>

### (i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Details for real estate development</b>					
Residential		488	–	548	–
Industrial/commercial		41	41	41	41
<b>Total real estate for resale</b>		<b>529</b>	<b>41</b>	<b>589</b>	<b>41</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		247	–	548	–
Development costs		282	41	41	41
<b>Total costs</b>		<b>529</b>	<b>41</b>	<b>589</b>	<b>41</b>
<b>Total real estate for resale</b>		<b>529</b>	<b>41</b>	<b>589</b>	<b>41</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		589	41	589	41
– WDV of sales (expense)	6	(60)	–	–	–
<b>Total real estate for resale</b>		<b>529</b>	<b>41</b>	<b>589</b>	<b>41</b>

### (b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

\$ '000	2020	2019
Real estate for resale	529	589
	<b>529</b>	<b>589</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### Accounting policy for inventories and other assets

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/19			Asset movements during the reporting period						as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	14,087	–	14,087	–	1,534	–	–	–	–	15,621	–	15,621
Plant and equipment	40,774	(27,738)	13,036	–	4,002	(253)	(2,040)	–	–	44,182	(29,438)	14,744
Office equipment	2,766	(2,336)	430	–	269	(18)	(105)	–	–	2,959	(2,383)	576
Furniture and fittings	1,056	(798)	258	–	118	–	(43)	–	–	1,173	(840)	333
<b>Land:</b>												
– Operational land	7,731	–	7,731	–	348	(82)	–	–	–	7,998	–	7,998
– Community land	9,173	–	9,173	–	–	–	–	–	–	9,173	–	9,173
Land improvements – non-depreciable	14,832	–	14,832	–	–	–	–	–	–	14,830	–	14,830
Land improvements – depreciable	7,645	(2,416)	5,229	–	755	–	(189)	–	–	8,399	(2,606)	5,793
<b>Infrastructure:</b>												
– Buildings – non-specialised	5,763	(3,218)	2,545	–	–	–	(145)	–	–	5,763	(3,363)	2,400
– Buildings – specialised	68,016	(36,791)	31,225	734	490	(44)	(1,642)	–	–	69,180	(38,418)	30,762
– Other structures	11,552	(5,760)	5,792	–	17	–	(399)	–	–	11,571	(6,160)	5,411
– Roads	217,756	(65,573)	152,183	3,001	9,582	–	(4,123)	(29,272)	–	204,932	(73,561)	131,371
– Bridges	58,817	(12,269)	46,548	86	–	–	(392)	(2,505)	–	69,682	(25,945)	43,737
– Footpaths	7,177	(2,011)	5,166	–	298	–	(75)	–	1,740	8,805	(1,675)	7,130
– Bulk earthworks (non-depreciable)	148,409	–	148,409	–	–	–	–	–	5,636	154,045	–	154,045
– Stormwater drainage	63,336	(12,750)	50,586	63	–	–	(409)	–	10,046	74,859	(14,573)	60,286
– Water supply network	45,039	(24,391)	20,648	133	15	–	(623)	–	190	45,615	(25,252)	20,363
– Sewerage network	46,617	(13,920)	32,697	34	–	–	(757)	–	303	47,094	(14,816)	32,278
– Swimming pools	9,621	(3,628)	5,993	165	–	–	(138)	–	–	9,787	(3,765)	6,022
– Other open space/recreational assets	3,416	(1,834)	1,582	–	–	–	(155)	–	–	3,417	(1,988)	1,429
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>												
– Tip assets	288	(283)	5	–	–	–	(1)	–	–	287	(284)	3
– Quarry assets	646	(528)	118	–	–	–	(5)	–	–	646	(533)	113
<b>Total Infrastructure, property, plant and equipment</b>	<b>784,517</b>	<b>(216,244)</b>	<b>568,273</b>	<b>4,216</b>	<b>17,428</b>	<b>(397)</b>	<b>(11,241)</b>	<b>(31,777)</b>	<b>17,915</b>	<b>810,018</b>	<b>(245,600)</b>	<b>564,418</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/18			Asset movements during the reporting period						as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	8,467	—	8,467	—	5,620	—	—	—	—	14,087	—	14,087
Plant and equipment	40,224	(26,761)	13,463	—	2,116	(514)	(2,050)	20	—	40,774	(27,738)	13,036
Office equipment	2,767	(2,253)	514	—	—	—	(84)	—	—	2,766	(2,336)	430
Furniture and fittings	1,034	(750)	284	—	22	—	(48)	—	—	1,056	(798)	258
<b>Land:</b>												
– Operational land	7,600	—	7,600	—	131	—	—	—	—	7,731	—	7,731
– Community land	9,173	—	9,173	—	—	—	—	—	—	9,173	—	9,173
Land improvements – non-depreciable	14,832	—	14,832	—	—	—	—	—	—	14,832	—	14,832
Land improvements – depreciable	7,408	(2,266)	5,142	—	237	—	(150)	—	—	7,645	(2,416)	5,229
<b>Infrastructure:</b>												
– Buildings – non-specialised	5,763	(3,074)	2,689	—	—	—	(144)	—	—	5,763	(3,218)	2,545
– Buildings – specialised	66,571	(35,174)	31,397	361	1,084	—	(1,617)	—	—	68,016	(36,791)	31,225
– Other structures	11,423	(5,371)	6,052	—	129	—	(390)	—	—	11,552	(5,760)	5,792
– Roads	207,563	(61,584)	145,979	4,512	5,678	—	(3,987)	—	—	217,756	(65,573)	152,183
– Bridges	58,764	(11,880)	46,884	—	53	—	(391)	—	—	58,817	(12,269)	46,548
– Footpaths	6,123	(1,950)	4,173	—	1,054	—	(61)	—	—	7,177	(2,011)	5,166
– Bulk earthworks (non-depreciable)	148,408	—	148,408	—	—	—	—	—	—	148,409	—	148,409
– Stormwater drainage	63,153	(12,345)	50,808	—	183	—	(405)	—	—	63,336	(12,750)	50,586
– Water supply network	44,217	(23,426)	20,791	20	95	—	(581)	—	324	45,039	(24,391)	20,648
– Sewerage network	45,456	(12,966)	32,490	115	318	—	(734)	(20)	528	46,617	(13,920)	32,697
– Swimming pools	9,567	(3,491)	6,076	—	54	—	(136)	—	—	9,621	(3,628)	5,993
– Other open space/recreational assets	3,314	(1,684)	1,630	—	102	—	(149)	—	—	3,416	(1,834)	1,582
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>												
– Tip assets	288	(282)	6	—	—	—	(1)	—	—	288	(283)	5
– Quarry assets	646	(523)	123	—	—	—	(5)	—	—	646	(528)	118
<b>Total Infrastructure, property, plant and equipment</b>	<b>762,761</b>	<b>(205,780)</b>	<b>556,981</b>	<b>5,008</b>	<b>16,876</b>	<b>(514)</b>	<b>(10,933)</b>	<b>—</b>	<b>852</b>	<b>784,517</b>	<b>(216,244)</b>	<b>568,273</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

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

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	5 to 35
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 10	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	33 to 50
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	100	Drains	60
Bores	30	Culverts	60
Reticulation pipes: PVC	40 to 80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	10 to 70		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	30	Swimming pools	70
Sealed roads: structure	75	Other open space/recreational assets	15 to 110
Unsealed roads	40	Other infrastructure	15 to 110
Bridge: concrete	150		
Bulk earthworks	Infinite		
Kerb, gutter, footpaths	100		

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.



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### **Crown reserves**

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

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

#### **Rural Fire Service assets**

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

Council has no care or control over the purchase or sale of plant and equipment or other fire fighting equipment, nor does Council receive any proceeds from their disposal.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for Council owned land and buildings only.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	517	517
Accumulated amortisation	(418)	(378)
<b>Net book value – opening balance</b>	<b>99</b>	<b>139</b>
<b>Movements for the year</b>		
– Purchases	84	–
– Amortisation charges	(46)	(40)
<b>Closing values at 30 June</b>		
Gross book value	601	517
Accumulated amortisation	(464)	(418)
<b>Total software – net book value</b>	<b>137</b>	<b>99</b>
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b>	<b><u>137</u></b>	<b><u>99</u></b>

## Accounting policy for intangible assets

## IT development and software

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
<b>(a) Contract assets</b>			
Grant Revenue		2,047	—
RMS Revenue		1,042	—
<b>Total Contract assets at 30 June 2020</b>		<b>3,089</b>	<b>—</b>

\$ '000	Notes	2020 Current	2020 Non-current
<b>(b) Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	844	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	242	—
<b>Total grants received in advance</b>		<b>1,086</b>	<b>—</b>
<b>Total Contract liabilities at 30 June 2020</b>		<b>1,086</b>	<b>—</b>

**Notes**

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

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

\$ '000	2020
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	524
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>524</b>

**Significant changes in contract assets and liabilities**

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

**Accounting policy for contract assets and liabilities**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

### Note 13. Leases

#### (i) The maturity analysis

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

#### (ii) Council as a lessor

##### Operating leases

Council leases out the Molong Quarry. The amount recognised in the Income Statement relating to operating leases where Council is a lessor are shown below:

\$ '000	2020
<b>(i) Operating lease income</b>	
<b>Other lease income</b>	
Quarry	250
Leaseback fees - council vehicles	122
Other	5
<b>Total income relating to operating leases</b>	<b>377</b>

##### Accounting policy

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	3,666	–	2,754	–
Accrued expenses:				
– Borrowings	3	–	3	–
Prepaid rates	366	–	–	–
– Salaries and wages	480	–	280	–
– Other expenditure accruals	510	–	231	–
Security bonds, deposits and retentions	279	58	152	58
ATO – net GST payable	8	–	–	–
Other	56	–	60	–
<b>Total payables</b>	<b>5,368</b>	<b>58</b>	<b>3,480</b>	<b>58</b>
<b>Income received in advance (2019 only)</b>				
Payments received in advance	83	–	297	–
<b>Total income received in advance</b>	<b>83</b>	<b>–</b>	<b>297</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	137	1,549	219	1,686
<b>Total borrowings</b>	<b>137</b>	<b>1,549</b>	<b>219</b>	<b>1,686</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>5,588</u></b>	<b><u>1,607</u></b>	<b><u>3,996</u></b>	<b><u>1,744</u></b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings (continued)

**(a) Current payables and borrowings not anticipated to be settled within the next twelve months**

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

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

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	1,905	(219)	–	–	–	–	1,686
<b>TOTAL</b>	<b>1,905</b>	<b>(219)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,686</b>

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	2,113	(208)	–	–	–	1,905
<b>TOTAL</b>	<b>2,113</b>	<b>(208)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,905</b>

**Accounting policy for payables and borrowings**

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

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

**Payables**

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

**Borrowings**

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

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

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

**Finance leases (2019 only)**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Provisions

## Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	884	–	1,129	–
Long service leave	2,273	–	2,526	–
<b>Sub-total – aggregate employee benefits</b>	<b>3,157</b>	<b>–</b>	<b>3,655</b>	<b>–</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	1,632	–	1,631
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>1,632</b>	<b>–</b>	<b>1,631</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>3,157</u></b>	<b><u>1,632</u></b>	<b><u>3,655</u></b>	<b><u>1,631</u></b>

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

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

Provisions – employees benefits	3,010	2,684
	<b>3,010</b>	<b>2,684</b>

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

\$ '000	Other provisions	
	Asset remediation	Total
<b>2020</b>		
At beginning of year	1,631	1,631
Unwinding of discount	1	1
<b>Total other provisions at end of year</b>	<b>1,632</b>	<b>1,632</b>
<b>2019</b>		
At beginning of year	1,626	1,626
Other	5	5
<b>Total other provisions at end of year</b>	<b>1,631</b>	<b>1,631</b>

**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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

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

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

#### Employee benefits

##### Short-term obligations

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

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

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

##### On-costs

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

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

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

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

##### Restoration

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

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

##### Rehabilitation

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

#### (b) Changes in accounting policies due to adoption of new accounting standards

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

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

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

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

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

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

#### **Costs incurred in fulfilling customer contracts**

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

#### **Revenue recognition from contract modifications**

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

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

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

#### **Principal v agent**

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

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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The result is that Council can only recognise the “commission” to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

#### Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

#### Prepaid rates

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

#### Grants – operating

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

#### Grants – capital

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

#### Changes in presentation

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Balance at 1 July 2019
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract liabilities</b>	
– Under AASB 1058	681
<b>Total Contract liabilities</b>	<b>681</b>

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

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

## Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	9,927	–	–	9,927	
Investments	37,000	–	–	37,000	
Receivables	2,972	3,089	–	6,061	
Inventories	987	–	–	987	
Contract assets	3,089	(3,089)	–	–	
Other	86	–	–	86	
<b>Total current assets</b>	<b>54,061</b>	<b>–</b>	<b>–</b>	<b>54,061</b>	
<b>Current liabilities</b>					
Payables	5,368	–	–	5,368	
Income received in advance	83	1,086	–	1,169	
Contract liabilities	1,086	(1,086)	–	–	
Borrowings	137	–	–	137	
Provisions	3,157	–	–	3,157	
<b>Total current liabilities</b>	<b>9,831</b>	<b>–</b>	<b>–</b>	<b>9,831</b>	
<b>Non-current assets</b>					
Receivables	1,128	–	–	1,128	
Inventories	41	–	–	41	
Infrastructure, property, plant and equipment	564,418	–	–	564,418	
Intangible assets	137	–	–	137	
Investments accounted for using equity method	29,113	–	–	29,113	
Other	282	–	–	282	
<b>Total non-current assets</b>	<b>595,119</b>	<b>–</b>	<b>–</b>	<b>595,119</b>	
<b>Non-current liabilities</b>					
Payables	58	–	–	58	

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Borrowings	1,549	—	—	1,549	
Provisions	1,632	—	—	1,632	
<b>Total Non-current liabilities</b>	<b>3,239</b>	<b>—</b>	<b>—</b>	<b>3,239</b>	
<b>Net assets</b>	<b>636,110</b>	<b>—</b>	<b>—</b>	<b>636,110</b>	
<b>Equity</b>					
Accumulated surplus	381,011	—	—	381,011	
Revaluation reserves	255,099	—	—	255,099	
<b>Council equity interest</b>	<b>636,110</b>	<b>—</b>	<b>—</b>	<b>636,110</b>	
<b>Total equity</b>	<b>636,110</b>	<b>—</b>	<b>—</b>	<b>636,110</b>	

Grants received for Capital purposes, to be expended in future financial periods as the underlying obligation is satisfied.

**Income Statement**

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	14,295	—	—	14,295	
User charges and fees	7,423	—	—	7,423	
Other revenues	626	—	—	626	
Grants and contributions provided for operating purposes	11,290	—	—	11,290	
Grants and contributions provided for capital purposes	8,407	—	163	8,570	
Interest and investment income	888	—	—	888	
Net gains from the disposal of assets	833	—	—	833	
Rental income	377	—	—	377	
Net share of interests in joint ventures and associates using the equity method	3,989	—	—	3,989	
<b>Total Income from continuing operations</b>	<b>48,128</b>	<b>—</b>	<b>163</b>	<b>48,291</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	12,186	—	—	12,186	
Borrowing costs	108	—	—	108	
Materials and contracts	6,682	—	—	6,682	
Depreciation and amortisation	11,287	—	—	11,287	
Other expenses	4,817	—	—	4,817	

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<b>Total Expenses from continuing operations</b>	35,080	—	—	35,080	
<b>Total Operating result from continuing operations</b>	13,048	—	163	13,211	
Net operating result for the year	13,048	—	163	13,211	
<b>Total comprehensive income</b>	(612)	—	—	(612)	

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

## Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	—	—	—
<b>Total assets</b>	<b>648,429</b>	<b>—</b>	<b>648,429</b>
Contract liabilities	—	681	681
<b>Total liabilities</b>	<b>11,026</b>	<b>681</b>	<b>11,707</b>
Accumulated surplus	368,292	(681)	367,611
Revaluation Reserve	268,950	—	268,950
Other	161	—	161
<b>Total equity</b>	<b>637,403</b>	<b>(681)</b>	<b>636,722</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	9,927	8,306
<b>Balance as per the Statement of Cash Flows</b>		<b>9,927</b>	<b>8,306</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		13,048	14,506
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		11,287	10,973
Net losses/(gains) on disposal of assets		(833)	(242)
Adoption of AASB 15/1058		(681)	–
Unwinding of discount rates on reinstatement provisions		1	–
Share of net (profits)/losses of associates/joint ventures using the equity method		(3,989)	(357)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		2,959	1,659
Increase/(decrease) in provision for impairment of receivables		(22)	(32)
Decrease/(increase) in inventories		(74)	(37)
Decrease/(increase) in other current assets		18	19
Decrease/(increase) in contract assets		(3,089)	–
Increase/(decrease) in payables		912	(1,237)
Increase/(decrease) in accrued interest payable		–	(2)
Increase/(decrease) in other accrued expenses payable		479	(2,025)
Increase/(decrease) in other liabilities		283	(177)
Increase/(decrease) in contract liabilities		1,086	–
Increase/(decrease) in provision for employee benefits		(498)	(295)
Increase/(decrease) in other provisions		–	5
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>20,887</b>	<b>22,758</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Associates	3,989	357	29,113	24,761
<b>Total</b>	<b>3,989</b>	<b>357</b>	<b>29,113</b>	<b>24,761</b>

## (a) Associates

The following information is provided for associates that are individually material to the Council. Included are the amounts as per the individual associates' financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share. Central Tablelands Water financial data for 2018/2019 is in fact from their Audited 2017/2018 financial statements, which are the most recent audited financial statements available.

## (a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2020	2019
Central Tablelands Water	Associate	Equity	29,113	24,761
<b>Total carrying amounts – material associates</b>			<b>29,113</b>	<b>24,761</b>

## (b) Details

Principal activity		Place of business
Central Tablelands Water	Supply Water	Blayney

## (c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019
Central Tablelands Water	33%	33%	33%	33%	33%	33%



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Interests in other entities (continued)

## (d) Summarised financial information for associates

\$ '000	Central Tablelands Water	
	2020	2019
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,029	817
Other current assets	5,216	6,763
<b>Non-current assets</b>	83,110	69,618
<b>Current liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	497	466
Other current liabilities	1,556	986
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	945	1,455
<b>Net assets</b>	<b>87,357</b>	<b>74,291</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	74,291	72,645
Profit/(loss) for the period	11,967	1,070
Gains on revaluation of I,PP&E	1,082	576
<b>Closing net assets</b>	<b>87,340</b>	<b>74,291</b>
<b>Council's share of net assets (%)</b>	33%	33%
<b>Council's share of net assets (\$)</b>	29,113	24,761
<b>Statement of comprehensive income</b>		
Income	18,666	6,846
Interest income	195	182
Depreciation and amortisation	(2,761)	(2,111)
Interest expense	(114)	(144)
Other expenses	(4,019)	(3,703)
<b>Profit/(loss) from continuing operations</b>	<b>11,967</b>	<b>1,070</b>
<b>Profit/(loss) for period</b>	<b>11,967</b>	<b>1,070</b>
Other comprehensive income	1,082	576
<b>Total comprehensive income</b>	<b>13,049</b>	<b>1,646</b>
<b>Share of income – Council (%)</b>	33%	33%
<b>Profit/(loss) – Council (\$)</b>	3,989	357
<b>Total comprehensive income – Council (\$)</b>	4,349	549
<b>Summarised Statement of cash flows</b>		
Cash flows from operating activities	3,228	3,050
Cash flows from investing activities	(1,550)	(2,961)
Cash flows from financing activities	(466)	(437)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,212</b>	<b>(348)</b>

**Accounting policy for associates**

Interests in associates are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 18. Interests in other entities (continued)

If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

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

Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

#### (b) Unconsolidated structured entities

Council did not consolidate the following structured entities:

#### (c) Subsidiaries, joint arrangements and associates not recognised

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

Name of entity/operation	Principal activity/type of entity	2020	2020
		Net profit	Net assets
<b>Section 355 Committees of Council</b>	Management control and care of Council property	181	2,604

#### Reasons for non-recognition

Council auspice a number of Section 355 Committees and due to their immaterial value and nature have been excluded from recognition.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Commitments

\$ '000	2020	2019
<b>Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	392	39
Plant and equipment	254	1,237
Sewer	–	29
Roads, Bridges & Footpaths	99	10
Other structures	62	304
Other	866	295
<b>Total commitments</b>	<b>1,673</b>	<b>1,914</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	1,673	1,914
<b>Total payable</b>	<b>1,673</b>	<b>1,914</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	306	458
Future grants and contributions	951	39
Externally restricted reserves	–	59
Internally restricted reserves	416	1,358
<b>Total sources of funding</b>	<b>1,673</b>	<b>1,914</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

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

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

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

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

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 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2020. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2019.

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

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 \$ 167,000. The last valuation of the Scheme was performed by Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, and covers the period ended 30 June 2017.

The amount of additional contributions included in the total employer contribution advised above is \$167,000. Council's expected contribution to the plan for the next annual reporting period is \$150,200.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies (continued)

Employer reserves only *	\$millions	Asset Coverage
Assets	\$1,834.10	
Past Service Liabilities	\$1,822.90	100.6%

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

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.

### 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies (continued)

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

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

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

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

#### **ASSETS NOT RECOGNISED**

##### **(i) Land under roads**

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21. Financial risk management

#### Risk management

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

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

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

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

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

#### Financial assets

##### Measured at amortised cost

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

The risks associated with the instruments held are:

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

\$ '000	Increase of values/rates Profit	Equity	Decrease of values/rates Profit	Equity
\$ '000	Increase of values/rates Profit	Equity	Decrease of values/rates Profit	Equity
<b>2020</b>				
Possible impact of a 1% movement in interest rates	370	370	(370)	(370)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	556	556	(556)	(556)

## (b) Credit risk

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

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

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

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

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

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

## Credit risk profile

## Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount	570	233	–	–	–	803
<b>2019</b>						
Gross carrying amount	532	360	–	–	–	892

## Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2020</b>						
Gross carrying amount	–	2,589	25	68	896	3,578
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.00%	0.25%
<b>ECL provision</b>	–	–	–	–	9	9

continued on next page ...



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	–	6,340	–	–	–	6,340
Expected loss rate (%)	0.00%	0.05%	0.00%	0.00%	0.00%	0.05%
<b>ECL provision</b>	–	3	–	–	–	3

## (c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2020</b>							
Trade/other payables	0.00%	337	4,722	–	–	5,059	5,060
Loans and advances	5.76%	–	232	1,675	–	1,907	1,686
<b>Total financial liabilities</b>		<u>337</u>	<u>4,954</u>	<u>1,675</u>	<u>–</u>	<u>6,966</u>	<u>6,746</u>
<b>2019</b>							
Trade/other payables	0.00%	210	3,328	–	–	3,538	3,538
Loans and advances	5.88%	–	327	1,907	–	2,234	1,905
<b>Total financial liabilities</b>		<u>210</u>	<u>3,655</u>	<u>1,907</u>	<u>–</u>	<u>5,772</u>	<u>5,443</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 23/06/2020 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 -----
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## REVENUES

<b>User charges and fees</b>	<b>8,763</b>	<b>7,423</b>	<b>(1,340)</b>	<b>(15)%</b>	<b>U</b>
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Our original budget contains an estimate of income from State Roads ordered works usually based on the volume or ordered works carried out in the previous Financial Year. This income is substantial but can vary greatly from year to year. The ordered works conducted in 19/20 was substantially less than in 18/19, and therefore user fees and charges was adjusted downwards in the revised budget when a more accurate total was able to be obtained from RMS.

<b>Other revenues</b>	<b>459</b>	<b>626</b>	<b>167</b>	<b>36%</b>	<b>F</b>
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Additoinal other revenue received over the original budgeted amount include insurance claims received of \$30K, legal fees recovered as a result of sale of land for overdue rates \$105, government COVID incentive rebates received \$48K.

<b>Net gains from disposal of assets</b>	<b>300</b>	<b>833</b>	<b>533</b>	<b>178%</b>	<b>F</b>
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Cabonne council received a gain on the buyout of Southern Phone shares for the amount of \$785K.

## EXPENSES

<b>Materials and contracts</b>	<b>7,388</b>	<b>6,682</b>	<b>706</b>	<b>10%</b>	<b>F</b>
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Our original budget contains an estimate of State Roads ordered works expenses usually based on the volume or ordered works carried out in the previous Financial Year. These expenses are substantial but can vary greatly from year to year. The ordered works conducted in 19/20 were substantially less than in 18/19, and therefore materials and contracts required to carry out ordered works was adjusted downwards in the revised budget when a more accurate total was able to be obtained from RMS.

## STATEMENT OF CASH FLOWS

<b>Cash flows from investing activities</b>	<b>(21,243)</b>	<b>(19,047)</b>	<b>2,196</b>	<b>(10)%</b>	<b>F</b>
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Council did not sell as much plant and equipment than was anticipated.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement

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

- Financial assets
- 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

## Recurring fair value measurements

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>2020</b>					
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Financial assets at fair value through other comprehensive income'	30/06/19	–	–	–	–
<b>Total financial assets</b>		–	–	–	–
<b>Infrastructure, property, plant and equipment</b>					
Capital works in progress	30/06/2020	–	–	15,621	15,621
Plant and equipment	30/06/2020	–	–	14,744	14,744
Office equipment	30/06/2020	–	–	576	576
Furniture and fittings	30/06/2020	–	–	333	333
Operational land	30/06/2018	–	7,998	–	7,998
Community land	30/06/2016	–	–	9,173	9,173
Land improvements non depreciable	30/06/2016	–	–	14,830	14,830
Land Improvements depreciable	30/06/2016	–	–	5,793	5,793
Building non specialised	30/06/2018	–	–	2,400	2,400
Building specialised	30/06/2018	–	–	30,762	30,762
Other structures	30/06/2017	–	–	5,411	5,411
Roads	30/06/2020	–	–	131,371	131,371
Bridges	30/06/2020	–	–	43,737	43,737
Footpaths	30/06/2020	–	–	7,130	7,130
Bulk earthworks	30/06/2020	–	–	154,045	154,045
Stormwater drainage	30/06/2020	–	–	60,286	60,286
Water supply network	30/06/2018	–	–	20,363	20,363
Sewer network	30/06/2018	–	–	32,278	32,278
Swimming pools	30/06/2017	–	–	6,022	6,022
Tip assets	30/06/2018	–	–	3	3
Quarry assets	30/06/2018	–	–	113	113
Open Space/recreational assets	30/06/2017	–	–	1,429	1,429

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Total infrastructure, property, plant and equipment					
		—	7,998	556,420	564,418

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	

## Recurring fair value measurements

## Financial assets

Investments

– ‘Financial assets at fair value through other comprehensive income’

30/06/19	–	161	–	161
	–	161	–	161

## Total financial assets

## Infrastructure, property, plant and equipment

Capital works in progress	30/06/2019	–	–	14,087	14,087
Plant and equipment	30/06/2019	–	–	13,036	13,036
Office equipment	30/06/2019	–	–	430	430
Furniture and fittings	30/06/2019	–	–	258	258
Operational land	30/06/2018	–	7,731	–	7,731
Community land	30/06/2016	–	9,173	–	9,173
Land improvements non depreciable	30/06/2016	–	–	14,832	14,832
Land Improvements depreciable	30/06/2016	–	–	5,229	5,229
Building non specialised	30/06/2018	–	–	2,545	2,545
Building specialised	30/06/2018	–	–	31,225	31,225
Other structures	30/06/2017	–	–	5,792	5,792
Roads	30/06/2015	–	–	152,183	152,183
Bridges	30/06/2015	–	–	46,548	46,548
Footpaths	30/06/2015	–	–	5,166	5,166
Bulk earthworks	30/06/2015	–	–	148,409	148,409
Stormwater drainage	30/06/2015	–	–	50,586	50,586
Water supply network	30/06/2018	–	–	20,648	20,648
Sewer network	30/06/2018	–	–	32,697	32,697
Swimming pools	30/06/2017	–	–	5,993	5,993
Tip assets	30/06/2018	–	–	5	5
Quarry assets	30/06/2018	–	–	118	118
Open Space/recreational assets	30/06/2017	–	–	1,582	1,582
<b>Total infrastructure, property, plant and equipment</b>		–	16,904	551,369	568,273

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

#### (2) 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:

#### Financial assets

Financial assets are exposed to financial risk such as price risk, credit risk, liquidity risk and interest rate risk surrounding the unpredictability of financial markets. The valuation technique for these assets is based on a market approach observing that the carrying value is a reasonable approximation of the fair value.

#### Infrastructure, property, plant and equipment (IPPE)

##### Capital Works in Progress – Uncompleted capital projects

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

**Plant and Equipment** – Major plant (graders, loaders trucks etc.), fleet vehicles (cars, utes etc.) and minor plant (chainsaws, mowers etc.)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Plant and Equipment are valued at cost but are disclosed at fair value.

##### Office Equipment – Computers, servers

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Office Equipment is valued at cost but is disclosed at fair value.

##### Furniture and Fittings – Desks, chairs, air conditioners, cupboards

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Furniture and Fittings are valued at cost but are disclosed at fair value.

##### Operational Land

Valuation Techniques: 'Market approach'

Inputs Used (Level 2): Land area, rate per square metre, zoning restrictions, geographical location, sales of comparable land.

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

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

With regard to the above Councils Valuer Scott Fullarton Valuations P/L analysed sales of land throughout Cabonne Shire and surrounding Council areas and adopted a rate per square metre, after taking into consideration zoning, location, area and configuration.

##### Community Land

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

Valuation Techniques: 'Market approach - with adjustments and limitations on land use'

Inputs Used (Level 3): The NSW Valuer General's valuations (as at 1 July 2015)

Councils community land is land intended for public access and use, or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, or dedication under section 94 of the Environmental Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management for it.

In relation to the valuing of Community Land the Office of Local Government has authorised the use of the NSW Valuer General's valuations as a sufficient basis to represent fair value for the revaluation of community land under clause 31 of AASB 116.

#### Non Depreciable land Improvements

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Non Depreciable Land Improvements were valued as at 30 June 2016. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Australian Construction handbook 2014 - Rawlinson's'.

**Depreciable Land Improvements** – Gardens/softfall areas, cricket pitches and recreation ground pathways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, unit rates

Depreciable Land Improvements were valued as at 30 June 2016. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Australian Construction handbook 2014 - Rawlinson's'.

**Buildings (Specialised/Non Specialised)** – Community halls, toilet blocks, council offices, library, multipurpose centre, works depot

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Council's buildings were valued at fair value on 30th June 2018 in accordance with Compiled Accounting Standard AASB116 Property, Plant and Equipment, the guidance contained in the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB 116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction"

Councils Specialised Buildings were valued by Scott Fullarton Valuation (SFV) P/L as at 30 June 2018. SFV provided a valuation for each building based on applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. These rates were derived from substantial analysis of construction costs from over one hundred and twenty (120) Councils throughout New South Wales.

SFV estimated the Total Life and Residual Life of each building/structure and, where the building is considered a complex asset, for each component, as they have useful lives different from those of the non-current assets to which they relate. In regard to componentisation, Paragraph 43 of AASB116 requires each part of the asset with a cost that is significant in relation to the asset be depreciated separately (structure, internal finishes, electrical services, mechanical services, fire/security and roof).

#### Other Structures

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, unit rates, asset condition

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

Other Structures were valued as at 30 June 2017. Valuations are based on unit rates derived from historical costs and from industry rates from Cordell's Commercial building cost guide March 2017 and the 'Rawlinson's Australian Construction handbook 2017 Edition 35.

#### Swimming Pools

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates, asset condition

Swimming pools were valued as at 30 June 2017. Valuations are based on unit rates derived from industry rates from Cordell's Commercial building cost guide March 2017 and the 'Rawlinson's Australian Construction handbook 2017 Edition 35.

#### Open space/recreational assets

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates, asset condition

Open Spaces were valued as at 30 June 2017. Valuations are based on unit rates derived from industry rates from Cordell's Commercial building cost guide March 2017 and the 'Rawlinson's Australian Construction handbook 2017 Edition 35.

#### Roads – Road surface, pavement, formation, major earthworks

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Councils road infrastructure assets were last valued by Shepherd Services on 30 June 2020. As per Paragraph 43 of AASB116, Councils roads infrastructure assets were segmented and componentised into the following categories (each representing a significant part of the overall asset):

- Road Surface
- Pavement
- Formation & Major Earthworks
- Kerb and Gutter

#### Roads – Sealed and Unsealed

GPS logged to establish the length and extent of the network. Road chainages were taken as the measure of Cabonne Council's road asset length. Seal widths (sealed roads) were taken from full condition assessment undertaken by Shepherd Services.

Rates were verified against recent actual rates from Cabonne Council road works.

Condition Assessment data was established on all of Cabonne Councils road network.

#### Kerb and Gutter

Kerb & Gutter assets were valued by Shepherd Services as at 30 June 2020.

Asset register was developed by completing an inspection of the Kerb & Gutter Network. Unit rates were established from historical data and also tested against recent construction costs. Condition assessment for Kerb and Gutter was collected at time of inspection along with the material used in the construction.

#### Bridges

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimension and specifications (concrete/timber), bridge traffic

Bridges assets were valued by Shepherd Services as at 30 June 2020.

Asset register was developed by completing an inspection of all Council Bridges. Necessary data including components, condition rating and bridge dimensions were collected at inspection. Unit rates were established from historical data and also tested against recent construction costs.

#### Footpaths – Footways including cycleways

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications (concrete/bitumen)

Asset register was developed by inspection of all Council's footpaths. Necessary data including condition rating and dimensions were collected at inspection. Unit rates were established from historical data and also tested against recent construction costs.

Footpaths assets were valued by Shepherd Services as at 30 June 2020.

**Stormwater Drainage** – includes pits, pipes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Asset register was developed by inspection of all Council's stormwater drainage. Necessary data including condition rating and dimensions were collected at inspection. Unit rates were established from historical data and also tested against recent construction costs.

Stormwater drainage assets were valued by Shepherd Services as at 30 June 2020.

**Water Supply Network**

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Water Network was revalued as at 30 June 2018. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables*, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets. Valuations and inspections were conducted by way of field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations and effluent reuse reservoir.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

**Sewerage Network** – Sewer pipes, pump stations, treatment plant, telemetry system, manholes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Sewer Network were revalued as at 30 June 2018. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables*, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

Valuations and inspections were conducted way of field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations and effluent reuse reservoir.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

**Tip and Quarry Assets** – Reinstatement, rehabilitation and restoration

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill and quarry sites. Closure of the landfill and quarry sites will involve a wide range of activities including final capping of the landfill waste and site re-vegetation, monitoring of landfill gas, revision of the surface water management system and leachate management infrastructure to suit post-closure operation.

Valuation are based on actual timing of costs and future environmental management.

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

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

\$ '000	Capital works in progress	Plant and equipment	Office equipment	Furniture and fittings	Land Imps non-deprecia ble
<b>2019</b>					
Opening balance	8,467	13,463	514	284	14,832
Purchases (GBV)	5,620	2,117	–	22	–
Disposals (WDV)	–	(514)	–	–	–
Depreciation and impairment	–	(2,050)	(84)	(48)	–
Other movement	–	20	–	–	–
<b>Closing balance</b>	<b>14,087</b>	<b>13,036</b>	<b>430</b>	<b>258</b>	<b>14,832</b>
<b>2020</b>					
Opening balance	14,087	13,036	430	258	14,832
Purchases (GBV)	1,534	4,002	269	118	–
Disposals (WDV)	–	(254)	(18)	–	–
Depreciation and impairment	–	(2,040)	(105)	(43)	–
Other movement	–	–	–	–	(2)
<b>Closing balance</b>	<b>15,621</b>	<b>14,744</b>	<b>576</b>	<b>333</b>	<b>14,830</b>

\$ '000	Land Imps depreciable	Buildings non-specialis ed	Building specialised	Other structures	Roads
<b>2019</b>					
Opening balance	5,142	2,689	31,397	6,052	145,979
Purchases (GBV)	237	–	1,445	131	10,191
Depreciation and impairment	(150)	(144)	(1,617)	(391)	(3,987)
<b>Closing balance</b>	<b>5,229</b>	<b>2,545</b>	<b>31,225</b>	<b>5,792</b>	<b>152,183</b>
<b>2020</b>					
Opening balance	5,229	2,545	31,225	5,792	152,183
Purchases (GBV)	753	–	1,223	18	12,583
Disposals (WDV)	–	–	(44)	–	–
Depreciation and impairment	(189)	(145)	(1,642)	(399)	(4,123)
Other movement	–	–	–	–	(29,272)
<b>Closing balance</b>	<b>5,793</b>	<b>2,400</b>	<b>30,762</b>	<b>5,411</b>	<b>131,371</b>

\$ '000	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Open spaces
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2019

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Page 72 of 92

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

\$ '000	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Open spaces
<b>Opening balance</b>	46,884	4,173	148,408	50,808	1,630
Purchases (GBV)	55	1,054	1	183	101
Depreciation and impairment	(391)	(61)	–	(405)	(149)
<b>Closing balance</b>	<b>46,548</b>	<b>5,166</b>	<b>148,409</b>	<b>50,586</b>	<b>1,582</b>
<b>2020</b>					
<b>Opening balance</b>	46,548	5,166	148,409	50,586	1,582
Purchases (GBV)	86	298	–	63	–
Depreciation and impairment	(392)	(75)	–	(409)	(153)
Other movement	(2,505)	1,741	5,636	10,046	–
<b>Closing balance</b>	<b>43,737</b>	<b>7,130</b>	<b>154,045</b>	<b>60,286</b>	<b>1,429</b>

\$ '000	Water network	Sewer network	Swimming pools
<b>2019</b>			
<b>Opening balance</b>	20,791	32,490	6,076
Purchases (GBV)	114	433	53
Depreciation and impairment	(581)	(734)	(136)
FV gains – other comprehensive income	324	528	–
Other movement	–	(20)	–
<b>Closing balance</b>	<b>20,648</b>	<b>32,697</b>	<b>5,993</b>
<b>2020</b>			
<b>Opening balance</b>	20,648	32,697	5,993
Purchases (GBV)	148	34	165
Depreciation and impairment	(623)	(756)	(136)
Other movement	190	303	–
<b>Closing balance</b>	<b>20,363</b>	<b>32,278</b>	<b>6,022</b>

\$ '000	Tip assets	Quarry assets	Total
<b>2019</b>			
<b>Opening balance</b>	6	123	<b>556,981</b>
Purchases (GBV)	–	–	<b>21,888</b>
Disposals (WDV)	–	–	<b>(514)</b>
Depreciation and impairment	(1)	(5)	<b>(10,934)</b>
FV gains – other comprehensive income	–	–	<b>852</b>
<b>Closing balance</b>	<b>5</b>	<b>118</b>	<b>568,273</b>
<b>2020</b>			
<b>Opening balance</b>	5	118	<b>568,273</b>
Purchases (GBV)	–	–	<b>21,643</b>
Disposals (WDV)	–	–	<b>(398)</b>
Depreciation and impairment	(2)	(5)	<b>(11,237)</b>
Other movement	–	–	<b>(13,863)</b>
<b>Closing balance</b>	<b>3</b>	<b>113</b>	<b>564,418</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Buildings Specialised	30,762	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Conditions</li> <li>• Useful Life</li> </ul>
Buildings Non Specialised	2,400	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Conditions</li> <li>• Useful Life</li> </ul>
Capital Works in Progress	15,621	Cost Approach	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> </ul>
Plant & Equipment	14,744	Cost Approach	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> </ul>
Office Equipment	576	Cost Approach	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> </ul>
Furniture & Fittings	333	Cost Approach	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> </ul>
Land Improvements Non-Depreciable	14,830	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>
Land Improvements Depreciable	5,793	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>
Other structures	5,411	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>
Roads	131,371	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Condition</li> <li>• Useful life</li> </ul>
Bridges	43,737	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Condition</li> <li>• Useful life</li> </ul>
Footpaths	7,130	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Condition</li> <li>• Useful life</li> </ul>
Bulk Earthworks	154,045	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Terrain rating</li> </ul>
Stormwater Drainage	60,286	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Conditions</li> <li>• Useful Life</li> </ul>
Water Supply Network	20,363	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Conditions</li> <li>• Useful Life</li> </ul>
Sewer Network	32,278	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Conditions</li> <li>• Useful Life</li> </ul>
Swimming Pools	6,022	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Conditions</li> <li>• Useful Life</li> </ul>
Open Space/Recreational Assets	1,429	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Conditions</li> <li>• Useful Life</li> </ul>
Tip Assets	3	Cost Approach	<ul style="list-style-type: none"> <li>• Discounted future Cash Flows</li> </ul>
Quarry Assets	113	Cost Approach	<ul style="list-style-type: none"> <li>• Discounted future Cash Flows</li> </ul>

## (4) Highest and best use

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24. Related party disclosures

#### (a) Key management personnel

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

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

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	999	831
Post-employment benefits	90	63
Other long-term benefits	24	22
Termination benefits	341	317
<b>Total</b>	<b>1,454</b>	<b>1,233</b>

#### (b) Other transactions with KMP and their related parties

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

- 1 A KMP of Council has a relative who is an employee at the Canowindra Phoenix with whom the Council advertises from time to time.
- 2 A KMP of Council has a relative who is an employee of Cabonne Family Day Care operated by Cabonne Council.
- 3 A KMP of Council has an ownership stake in the Molong Express with whom the Council advertises from time to time.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24. Related party disclosures (continued)

#### (c) Other related party transactions

	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
<b>\$ '000</b>					
<b>2020</b>					
Central Tablelands Water	237	–		–	–
<b>2019</b>					
Central Tablelands Water	151	–		–	–

### Note 25. Events occurring after the reporting date

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Statement of developer contributions

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

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

### Summary of contributions and levies

\$ '000	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Roads	702	145	–	2	–	–	849	–
Other	196	21	–	1	(12)	–	206	–
<b>S7.11 contributions – under a plan</b>	<b>898</b>	<b>166</b>	<b>–</b>	<b>3</b>	<b>(12)</b>	<b>–</b>	<b>1,055</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>898</b>	<b>166</b>	<b>–</b>	<b>3</b>	<b>(12)</b>	<b>–</b>	<b>1,055</b>	<b>–</b>
<b>Total contributions</b>	<b>898</b>	<b>166</b>	<b>–</b>	<b>3</b>	<b>(12)</b>	<b>–</b>	<b>1,055</b>	<b>–</b>

### S7.11 Contributions – under a plan

#### CONTRIBUTION PLAN NUMBER 1 – SMALL RURAL HOLDINGS

Roads	42	5	–	–	–	–	47	–
<b>Total</b>	<b>42</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>47</b>	<b>–</b>

#### CONTRIBUTION PLAN NUMBER – GENERAL RURAL ZONE

Roads	660	140	–	2	–	–	802	–
<b>Total</b>	<b>660</b>	<b>140</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>802</b>	<b>–</b>

#### CONTRIBUTION PLAN NUMBER – BUSHFIRE EQUIPMENT

Other	196	21	–	1	(12)	–	206	–
<b>Total</b>	<b>196</b>	<b>21</b>	<b>–</b>	<b>1</b>	<b>(12)</b>	<b>–</b>	<b>206</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27. Result by fund

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	11,797	505	1,993
User charges and fees	6,649	674	100
Interest and investment revenue	782	59	47
Other revenues	621	5	–
Grants and contributions provided for operating purposes	11,142	118	30
Grants and contributions provided for capital purposes	7,283	1,111	13
Net gains from disposal of assets	833	–	–
Rental income	377	–	–
Share of interests in joint ventures and associates using the equity method	3,989	–	–
<b>Total income from continuing operations</b>	<b>43,473</b>	<b>2,472</b>	<b>2,183</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	11,111	527	548
Borrowing costs	1	–	107
Materials and contracts	5,336	673	673
Depreciation and amortisation	9,730	661	896
Other expenses	4,295	128	394
<b>Total expenses from continuing operations</b>	<b>30,473</b>	<b>1,989</b>	<b>2,618</b>
<b>Operating result from continuing operations</b>	<b>13,000</b>	<b>483</b>	<b>(435)</b>
<b>Net operating result for the year</b>	<b>13,000</b>	<b>483</b>	<b>(435)</b>
<b>Net operating result attributable to each council fund</b>	<b>13,000</b>	<b>483</b>	<b>(435)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>5,717</b>	<b>(628)</b>	<b>(448)</b>

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

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

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2,763	4,382	2,782
Investments	37,000	–	–
Receivables	1,492	595	885
Inventories	987	–	–
Contract assets	3,078	11	–
Other	86	–	–
<b>Total current assets</b>	<b>45,406</b>	<b>4,988</b>	<b>3,667</b>
<b>Non-current assets</b>			



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 27. Result by fund (continued)

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
Receivables	864	77	187
Inventories	41	–	–
Infrastructure, property, plant and equipment	487,611	36,780	40,027
Investments accounted for using the equity method	29,113	–	–
Intangible assets	137	–	–
Other	282	–	–
<b>Total non-current assets</b>	<b>518,048</b>	<b>36,857</b>	<b>40,214</b>
<b>TOTAL ASSETS</b>	<b>563,454</b>	<b>41,845</b>	<b>43,881</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	5,209	112	47
Income received in advance	83	–	–
Contract liabilities	1,086	–	–
Borrowings	(1)	–	138
Provisions	3,157	–	–
<b>Total current liabilities</b>	<b>9,534</b>	<b>112</b>	<b>185</b>
<b>Non-current liabilities</b>			
Payables	58	–	–
Borrowings	–	–	1,549
Provisions	1,632	–	–
<b>Total non-current liabilities</b>	<b>1,690</b>	<b>–</b>	<b>1,549</b>
<b>TOTAL LIABILITIES</b>	<b>11,224</b>	<b>112</b>	<b>1,734</b>
<b>Net assets</b>	<b>552,230</b>	<b>41,733</b>	<b>42,147</b>
<b>EQUITY</b>			
Accumulated surplus	330,923	25,743	24,345
Revaluation reserves	221,307	15,990	17,802
<b>Council equity interest</b>	<b>552,230</b>	<b>41,733</b>	<b>42,147</b>
<b>Total equity</b>	<b>552,230</b>	<b>41,733</b>	<b>42,147</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	(181)	(0.52)%	(3.16)%	4.18%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	34,899				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	23,609	54.52%	49.64%	57.24%	>60.00%
Total continuing operating revenue <sup>1</sup>	43,306				
3. Unrestricted current ratio					
Current assets less all external restrictions	32,720	6.02x	7.05x	5.71x	>1.50x
Current liabilities less specific purpose liabilities	5,438				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	11,214	34.29x	29.45x	35.46x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	327				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	763	4.93%	6.46%	5.26%	<10.00%
Rates, annual and extra charges collectible	15,472				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	46,927	21.48 mths	19.76 mths	24.29 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	2,184				

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 28(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>2.85%</b>	(3.48)%	<b>(46.14)%</b>	1.31%	<b>(20.65)%</b>	(2.02)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>52.33%</b>	54.86%	<b>50.28%</b>	16.30%	<b>98.03%</b>	95.83%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>6.02x</b>	7.05x	<b>44.54x</b>	81.46x	<b>19.82x</b>	14.60x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>48.30x</b>	37.75x	∞	∞	<b>5.19x</b>	8.20x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>5.88%</b>	7.80%	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>20.69</b>	16.78	<b>39.60</b>	∞	<b>18.25</b>	∞	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths	<b>mths</b>		<b>mths</b>		mths

(1) - (2) Refer to Notes at Note 31a above.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 29. Council information and contact details

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**Principal place of business:**

99 -101 Bank Street  
Molong NSW 2866

**Mailing Address:**

PO Box 17  
Molong NSW 2866

**Telephone:** 02 6392 3200

**Facsimile:** 02 6392 3260

**Opening hours:**

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

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

**Email:** [council@cabonne.nsw.gov.au](mailto:council@cabonne.nsw.gov.au)

#### Officers

**General Manager**

Bradley Byrnes

**Responsible Accounting Officer**

Heather Nicholls

**Public Officer**

Jolene Pearson

**Auditors**

Audit Office of NSW  
Level 15, 1 Margaret Street  
SYDNEY NSW 2001

#### Elected members

**Mayor**

Kevin Beatty

**Councillors**

Anthony Durkin  
Gregory Treavers  
Peter Batten  
Cheryl Newson  
Kevin Walker  
Paul Mullins  
Jennifer Weaver  
Marlene Nash  
Elizabeth Oldham  
Ian Davidson  
Jamie Jones

#### Other information

**ABN:** 419 929 192 00



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Cabonne Council

To the Councillors of Cabonne Council

### Opinion

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

In my opinion:

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

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

## Basis for Opinion

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

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

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

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

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

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

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Statements

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

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

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

My objectives are to:

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

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 22 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

11 November 2020  
SYDNEY



Councillor Kevin Beatty  
Mayor  
Cabonne Shire Council  
PO Box 17  
MOLONG NSW 2866

Contact: Karen Taylor  
Phone no: 02 9275 7311  
Our ref: D2026382/1704

11 November 2020

Dear Mayor

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

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

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

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

**INCOME STATEMENT**

**Operating result**

	<b>2020</b>	<b>2019*</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	14.30	14.28	0.1
Grants and contributions revenue	19.70	23.60	16.5
Operating result from continuing operations	13.05	14.51	10.1
Net operating result before capital grants and contributions	4.64	(0.41)	1,232



The Council's operating result from continuing operations (\$13.0 million including depreciation and amortisation expense of \$11.3 million) was \$1.5 million lower than the 2018–19 result.

The net operating result before capital grants and contributions (\$4.6 million) was \$5.0 million higher than the 2018–19 result (\$0.4 million deficit). The main reason for this movement was an increase in the net share of interests in joint ventures and associates of \$4.0 million.

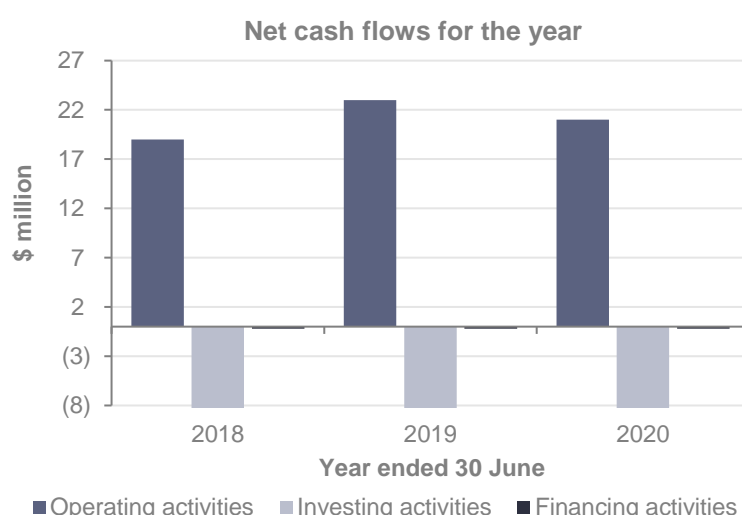
Grants and contributions revenue (\$19.7 million) decreased by \$3.9 million in 2019–20. There was a change in the mix of capital and operating grants. Grants recognised during the year included:

- \$1.9 million of operating grants received under the Roads to Recovery Programme
- \$2.9 million of capital grants received under the Stronger Country Communities Programme and \$1.5 million under the Fixing Country Roads Programme.

In the prior year, Council received \$7.4 million capital grant under the restart NSW program for the construction of a pipeline connecting Cabonne to the Orange City Council's water network. All but \$1.1 million was recognised in the prior year when the work was performed. The balance was recognised during 2019–20. This contributed to the decrease in grants and contributions.

## STATEMENT OF CASH FLOWS

The decrease in grants and contributions was a key contributor to the decrease in cash flows from operating activities over the prior year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	19.3	18.5	Externally restricted balances include unexpended developer contributions, water, sewer and domestic waste management charges.
Internal restrictions	25.0	26.7	
Unrestricted	2.6	1.6	
<b>Cash and investments</b>	<b>46.9</b>	<b>46.8</b>	Balances are internally restricted due to Council policy or decisions for forward plans including work programs. Unrestricted balances provide liquidity for day-to-day operations.

## Debt

At 30 June 2020, Council had external borrowings of \$1.7 million (2019: \$1.9 million). The loans are secured against Council's general rating income.

Council also had access to a \$450,000 (30 June 2019: \$450,000) bank overdraft facility. This facility was unused at year end.

## PERFORMANCE

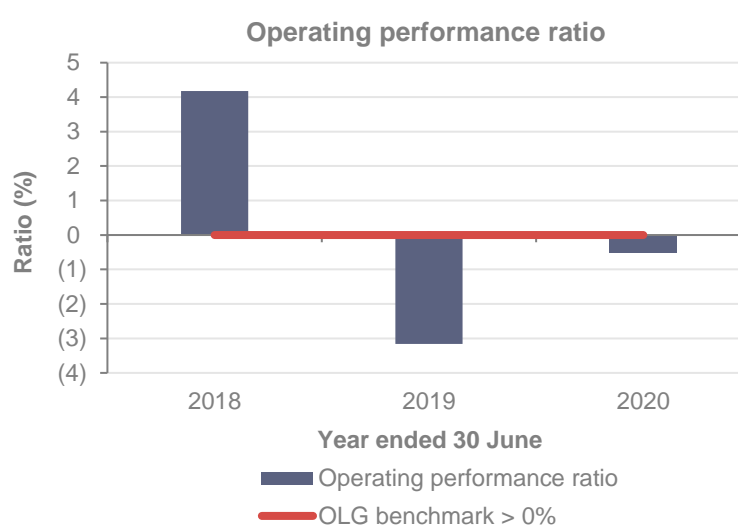
### Performance measures

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.

Council's result is indicative of the extent to which capital grants and contributions supplement Council's operations.

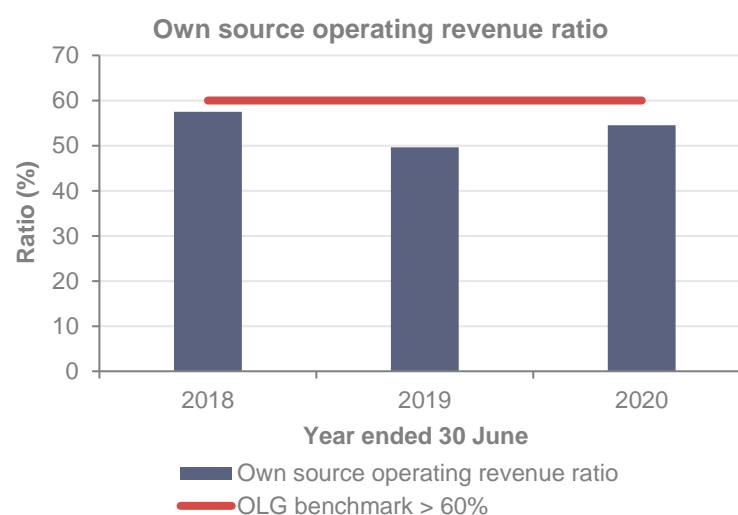


#### Own source operating revenue ratio

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.

Council's own source operating has remained consistent in terms of dollar value.

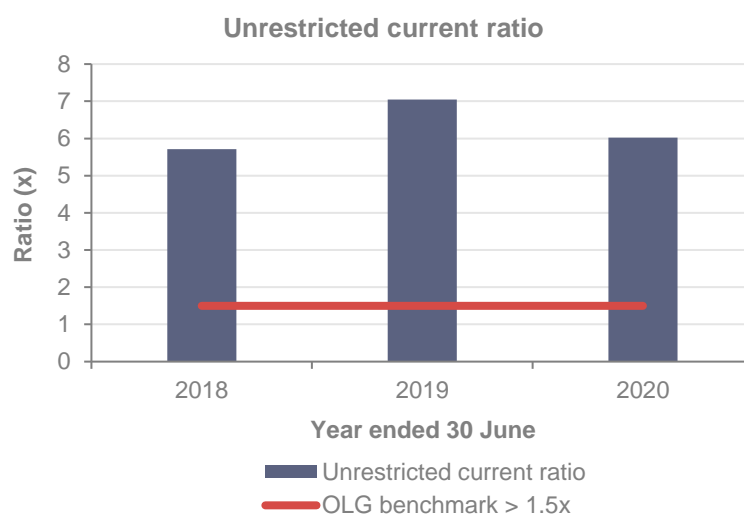
The proportionately high level of grants and contributions received by Council and indeed by most small rural councils, has seen this ratio continue to remain below the benchmark set by the OLG.



### 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.

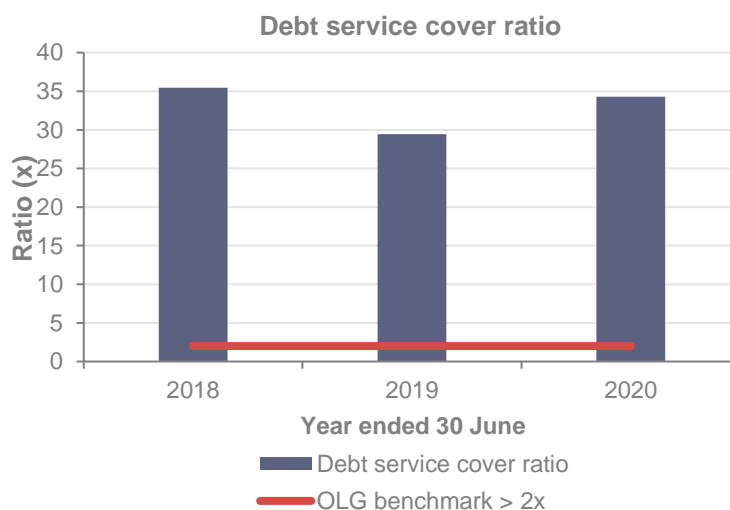
The Council continues to exceed the OLG benchmark for the current reporting period.



### Debt service cover ratio

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

The Council continues to exceed the OLG benchmark for the current reporting period.

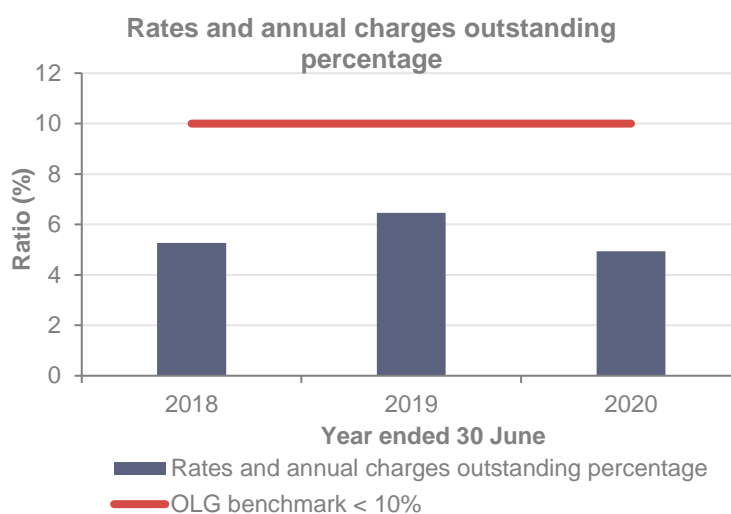


## Rates and annual charges outstanding per centage

The 'rates and annual charges outstanding per centage' 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.

Council's rates and annual charges outstanding ratio is better than the benchmark for rural councils over the past three years.

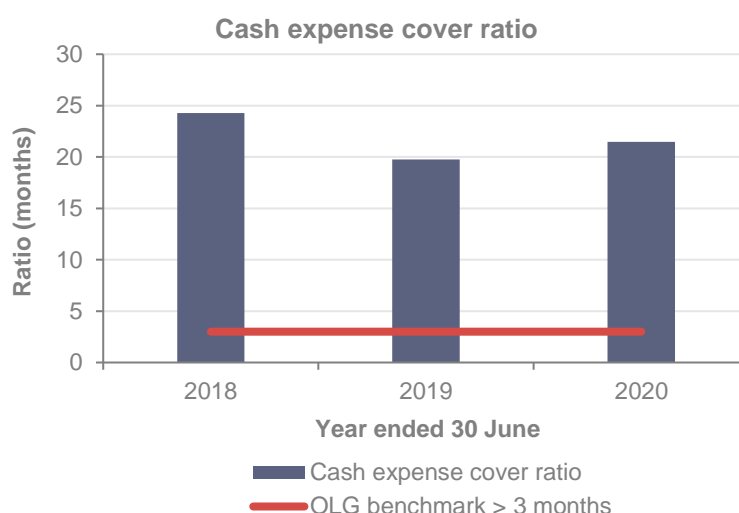
For 2020, this ratio has been impacted by the first-time adoption of new revenue standards, where prepaid rates were recognised as a liability compared to prior years being a reduction in rates and annual charges receivable.



## 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.

Council's liquidity is reflected by this measure. Council has comfortably exceeded the benchmark and has done so for several years.



## Infrastructure, property, plant and equipment renewals

Council has renewed \$4.2 million of assets during 2019–20 compared to \$5.0 million in 2018–19. The lower level of expenditure was primarily in the area of roads infrastructure compared to the prior year.

## OTHER MATTERS

### Impact of new accounting standards

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

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

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

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

The Council recognised a \$0.7 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

#### **AASB 16 'Leases'**

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in its 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.

Council determined that it did not have any right-of-use assets or lease liabilities either at 1 July 2019 or at 30 June 2020 which required recognition on adoption of AASB 16.

### Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial statements. The Council's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.



Karen Taylor  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

# Cabonne Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2020

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***“Cabonne Council is committed to providing sustainable local government to our rural communities through consultation and sound financial management which will ensure equitable resource allocation.”***



# Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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## Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

## Special Purpose Financial Statements

for the year ended 30 June 2020

Special Purpose Financial Statements 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 27 October 2020.**



Kevin Beatty  
Mayor

27 October 2020



Jamie Jones  
Deputy Mayor

27 October 2020



Bradley Byrnes  
General Manager

27 October 2020



Heather Nicholls  
Responsible Accounting Officer

27 October 2020



# Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	505	513
User charges	674	856
Interest	59	68
Grants and contributions provided for non-capital purposes	118	6
Other income	5	4
<b>Total income from continuing operations</b>	<b>1,361</b>	<b>1,447</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	527	342
Materials and contracts	673	319
Depreciation, amortisation and impairment	661	648
Other expenses	128	119
<b>Total expenses from continuing operations</b>	<b>1,989</b>	<b>1,428</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(628)</b>	<b>19</b>
Grants and contributions provided for capital purposes	1,111	7,393
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>483</b>	<b>7,412</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>483</b>	<b>7,412</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(5)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>483</b>	<b>7,407</b>
<b>Plus accumulated surplus</b>	<b>25,260</b>	<b>17,848</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	–	5
<b>Closing accumulated surplus</b>	<b>25,743</b>	<b>25,260</b>
<b>Return on capital %</b>	<b>(1.7)%</b>	<b>0.1%</b>
<b>Subsidy from Council</b>	<b>952</b>	<b>455</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	483	7,407
Less: capital grants and contributions (excluding developer contributions)	(1,111)	(7,393)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>14</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>7</b>

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	1,993	2,083
User charges	100	85
Interest	47	76
Grants and contributions provided for non-capital purposes	30	77
Other income	–	7
<b>Total income from continuing operations</b>	<b>2,170</b>	<b>2,328</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	548	433
Borrowing costs	107	119
Materials and contracts	673	521
Depreciation, amortisation and impairment	896	904
Other expenses	394	398
<b>Total expenses from continuing operations</b>	<b>2,618</b>	<b>2,375</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(448)</b>	<b>(47)</b>
Grants and contributions provided for capital purposes	13	21
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(435)</b>	<b>(26)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(435)</b>	<b>(26)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(435)</b>	<b>(26)</b>
<b>Plus accumulated surplus</b>	<b>24,780</b>	<b>24,806</b>
<b>Closing accumulated surplus</b>	<b>24,345</b>	<b>24,780</b>
<b>Return on capital %</b>	<b>(0.9)%</b>	<b>0.2%</b>
<b>Subsidy from Council</b>	<b>693</b>	<b>464</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(435)	(26)
Less: capital grants and contributions (excluding developer contributions)	(13)	(21)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Contract assets	11	—
Cash and cash equivalents	4,382	4,566
Receivables	595	566
<b>Total current assets</b>	<b>4,988</b>	<b>5,132</b>
<b>Non-current assets</b>		
Receivables	77	69
Infrastructure, property, plant and equipment	36,780	35,927
<b>Total non-current assets</b>	<b>36,857</b>	<b>35,996</b>
<b>TOTAL ASSETS</b>	<b>41,845</b>	<b>41,128</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	112	63
<b>Total current liabilities</b>	<b>112</b>	<b>63</b>
<b>TOTAL LIABILITIES</b>	<b>112</b>	<b>63</b>
<b>NET ASSETS</b>	<b>41,733</b>	<b>41,065</b>
<b>EQUITY</b>		
Accumulated surplus	25,743	25,260
Revaluation reserves	15,990	15,805
<b>TOTAL EQUITY</b>	<b>41,733</b>	<b>41,065</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,782	2,505
Receivables	885	955
<b>Total current assets</b>	<b>3,667</b>	<b>3,460</b>
<b>Non-current assets</b>		
Receivables	187	172
Infrastructure, property, plant and equipment	40,027	40,572
<b>Total non-current assets</b>	<b>40,214</b>	<b>40,744</b>
<b>TOTAL ASSETS</b>	<b>43,881</b>	<b>44,204</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	47	18
Borrowings	138	219
<b>Total current liabilities</b>	<b>185</b>	<b>237</b>
<b>Non-current liabilities</b>		
Borrowings	1,549	1,687
<b>Total non-current liabilities</b>	<b>1,549</b>	<b>1,687</b>
<b>TOTAL LIABILITIES</b>	<b>1,734</b>	<b>1,924</b>
<b>NET ASSETS</b>	<b>42,147</b>	<b>42,280</b>
<b>EQUITY</b>		
Accumulated surplus	24,345	24,780
Revaluation reserves	17,802	17,500
<b>TOTAL EQUITY</b>	<b>42,147</b>	<b>42,280</b>

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

### Note 1. Significant Accounting Policies

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

##### Cabonne Council Combined Sewerage Supplies

Sewerage reticulation and treatment operations servicing the towns of Molong, Eugowra, Canowindra, Cudal, Yeoval, Cumnock and Manildra.

These are reported under two special rate funds:

- Cabonne Sewer Fund, servicing the towns of Molong, Canowindra and Eugowra, and
- Small Town Sewer Fund, servicing the towns of Manildra, Cudal, Cumnock and Yeoval

##### Category 2

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

##### Cabonne Council Combined Water Supplies

Water supply operations servicing the towns of Molong, Yeoval and Cumnock, established as a combined special rate fund.

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

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

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#### Monetary amounts

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

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

#### Income tax

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

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

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

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

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

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

#### Local government rates and charges

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

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

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

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

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

#### (iv) Dividends

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

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

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

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

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



## **INDEPENDENT AUDITOR'S REPORT**

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

#### **Cabonne Council**

To the Councillors of Cabonne Council

### **Opinion**

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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



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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically

- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

11 November 2020  
SYDNEY

# Cabonne Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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***“Cabonne Council is committed to providing sustainable local government to our rural communities through consultation and sound financial management which will ensure equitable resource allocation.”***



## Special Schedules

for the year ended 30 June 2020

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### Contents

### Page

#### **Special Schedules**

Permissible income for general rates

3

Report on Infrastructure Assets - Values

7

## Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	10,418	10,135
Plus or minus adjustments <sup>2</sup>	b	13	7
<b>Notional general income</b>	c = a + b	<b>10,431</b>	<b>10,142</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	271	274
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>10,702</b>	<b>10,416</b>
Plus (or minus) last year's carry forward total	l	2	4
<b>Sub-total</b>	n = (l + m)	<b>2</b>	<b>4</b>
<b>Total permissible income</b>	o = k + n	<b>10,704</b>	<b>10,420</b>
Less notional general income yield	p	10,707	10,418
<b>Catch-up or (excess) result</b>	q = o - p	<b>(3)</b>	<b>2</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>(3)</b>	<b>2</b>

## Notes

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### Cabonne Council

To the Councillors of Cabonne Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

## Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

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

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

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



Karen Taylor  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

11 November 2020  
SYDNEY



# Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost	to bring assets	to bring to the	2019/20	2019/20	Net carrying	Gross	Assets in condition as a percentage of							
		to satisfactory	agreed level of	service set by	Required	Actual			amount	replacement	cost (GRC)	gross replacement cost				
		standard	Council	maintenance <sup>a</sup>	maintenance	1						2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000								
(a) Report on Infrastructure Assets - Values																
Buildings	Buildings	18,548	5,995	81	81	33,163	74,943		22.0%	11.0%	36.0%	30.0%	1.0%			
	Sub-total	18,548	5,995	81	81	33,162	74,943		22.0%	11.0%	36.0%	30.0%	1.0%			
Other structures	Other structures	1,851	58	–	–	5,411	11,571		100.0%	0.0%	0.0%	0.0%	0.0%			
	Sub-total	1,851	58	–	–	5,411	11,571		100.0%	0.0%	0.0%	0.0%	0.0%			
Roads	Sealed roads	12,502	6,315	1,674	1,674	106,160	171,854		46.8%	38.8%	5.3%	3.5%	5.6%			
	Unsealed roads	5,082	1,271	1,592	1,592	13,381	16,998		0.0%	11.0%	62.0%	26.0%	1.0%			
	Bridges	5,418	1,899	4	4	43,737	69,682		25.3%	54.5%	10.7%	8.1%	1.4%			
	Footpaths	330	44	65	65	7,130	8,805		52.0%	35.0%	11.0%	2.0%	0.0%			
	Other road assets	77	–	–	–	2,066	3,836		42.0%	50.0%	8.0%	0.0%	0.0%			
	Bulk earthworks	–	–	–	–	154,045	154,045		100.0%	0.0%	0.0%	0.0%	0.0%			
	Kerb & Gutter	738	338	28	28	9,764	12,298		48.0%	39.0%	6.0%	3.0%	4.0%			
	Sub-total	24,147	9,867	3,363	3,363	336,283	437,518		60.4%	26.6%	6.7%	3.8%	2.6%			
Water supply network	Water supply network	6,044	114	592	592	20,363	45,615		13.0%	35.0%	51.0%	1.0%	0.0%			
	Sub-total	6,044	114	592	592	20,363	45,615		13.0%	35.0%	51.0%	1.0%	0.0%			
Sewerage network	Sewerage network	1,060	–	912	912	32,278	47,094		64.0%	27.0%	9.0%	0.0%	0.0%			
	Sub-total	1,060	–	912	912	32,278	47,094		64.0%	27.0%	9.0%	0.0%	0.0%			
Stormwater drainage	Stormwater drainage	936	–	–	–	60,286	74,859		86.0%	9.0%	5.0%	0.0%	0.0%			
	Sub-total	936	–	–	–	60,286	74,859		86.0%	9.0%	5.0%	0.0%	0.0%			
Open space / recreational assets	Swimming pools	–	–	415	415	6,021	9,787		16.0%	26.0%	58.0%	0.0%	0.0%			
	Open Spaces	–	–	–	–	1,430	3,417		1.0%	11.0%	84.0%	3.0%	1.0%			
	Sub-total	–	–	415	415	7,451	13,204		12.1%	22.1%	64.7%	0.8%	0.3%			
Other infrastructure assets	Other	–	–	–	–	–	–		0.0%	0.0%	0.0%	0.0%	0.0%			
	Sub-total	–	–	–	–	–	–		0.0%	0.0%	0.0%	0.0%	0.0%			
TOTAL - ALL ASSETS		52,586	16,034	5,363	5,363	495,234	704,804		55.9%	23.1%	13.6%	5.6%	1.7%			

## Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

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

### Infrastructure asset condition assessment 'key'

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

# Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio <sup>1</sup>					
Asset renewals <sup>2</sup>	4,216	47.60%	58.27%	117.05%	>=100.00%
Depreciation, amortisation and impairment	8,858				
Infrastructure backlog ratio <sup>1</sup>					
Estimated cost to bring assets to a satisfactory standard	52,586	10.62%	11.80%	11.94%	<2.00%
Net carrying amount of infrastructure assets	495,234				
Asset maintenance ratio					
Actual asset maintenance	5,363	100.00%	96.25%	96.33%	>100.00%
Required asset maintenance	5,363				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	16,034	2.27%	2.79%	2.60%	
Gross replacement cost	704,804				

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

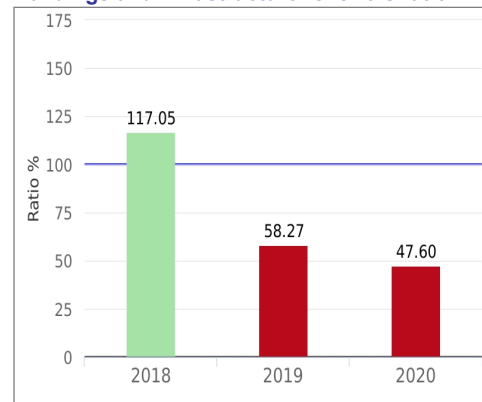
(1) Excludes Work In Progress (WIP)

(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 47.60%

Expenditure on renewals was less than depreciation as resources were focused on delivering major projects. The ratio will improve as Council focuses more on renewals, but also better accounts for renewals undertaken as part of other projects.

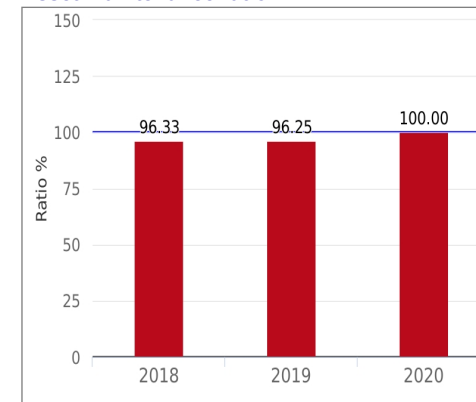
Benchmark: —  $\geq 100.00\%$

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 100.00%

Council is currently reviewing AMP's and establishing a risk-based maintenance management system to quantify any shortfalls in maintenance expenditure.

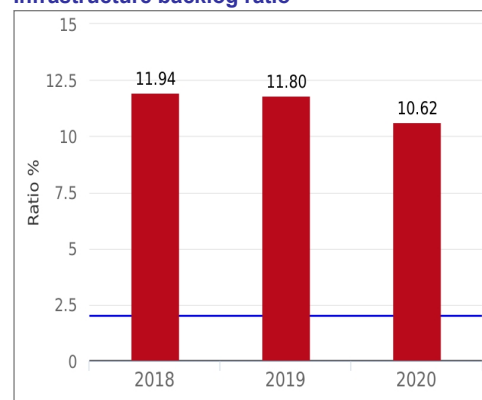
Benchmark: —  $> 100.00\%$

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 10.62%

Council is preparing to consult the community to determine an agreed level of service for infrastructure. It is anticipated this will significantly reduce the reported backlog.

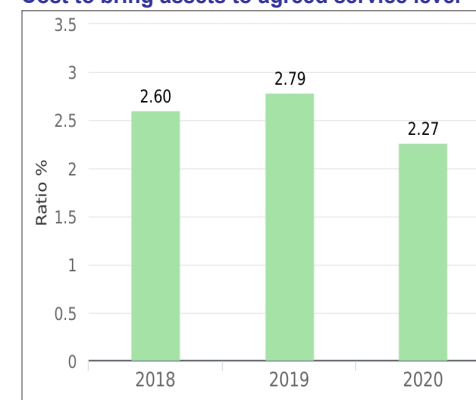
Benchmark: —  $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

## Cost to bring assets to agreed service level



### Cost to bring assets to agreed service level

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

### Commentary on result

19/20 ratio 2.27%

Council will continue to review its AMP's with community consultation to determine the agreed level of service. This will then determine the outstanding renewals required to satisfy this ratio.